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Editorial Notes.

The Registrar's Report.

The report of the Registrar of Co-operative Societies, Madras, for the year 1934-35 shows that while the movement is still suffering from the effects of the economic depression, the working of societies in Madras in 1934-35 was in many respects better than in the previous year. The number of societies the registration of which was cancelled during 1934-35 was 281 against 462 in the previous year. This was not due to the adoption of an attitude of greater leniency towards bad societies but to action being taken to a greater extent than in the previous year under section 43 of the Co-operative Societies Act in superseding managing committees and under by-law 62 in appointing agents for the management of societies—agents being appointed in as many as 444 societies in the year under report. The number of societies of all classes at the end of 1934-35 was 13,453 against 13,634 and 13,956 at the end of 1933-34 and 1932-33 respectively. The loans issued by central banks to societies amounted to Rs. 87·10 lakhs against Rs. 67·33 lakhs in the previous year, while the overdraft transactions of these societies with the central banks amounted to Rs. 95·23 lakhs compared with 52·15 lakhs in the previous year. The loans issued by agricultural societies to their members likewise increased from Rs. 92·16 lakhs in 1933-34 to Rs. 124·73 lakhs in 1934-35. While this is no doubt considerable improvement, the

pre-depression level of credit is far from being reached, as may be judged from the fact that even in 1930-31 the loans issued by agricultural societies to their members amounted to Rs. 163·50 lakhs. The Registrar has repeated his advice of last year to the central banks, "that in order to resuscitate the movement and to infuse confidence in it amongst the agriculturists they should adopt a more liberal policy of advancing loans to societies consistent with the safety of the funds." On account of the increased lendings by central banks to societies, the surpluses in the former were reduced from Rs. 54 lakhs at the end of 1933-34 to Rs. 26.36 at the end of 1934-35. The total working capital employed in the movement, excluding the investments of one society in another, amounted to Rs. 1,048.19 lakhs as against Rs. 1,011.97 lakhs in the previous year.

Though it is not possible to say that in all respects collections were better than in the previous year, they were decidedly so in both agricultural and non-agricultural societies in respect of principal and in agricultural societies and central banks in respect of current interest. The percentage of balance to demand is still, of course, very high; but as the repayments of societies to central banks 1934-35 worked out at 36.24 per cent of the demand, they should not be considered very unsatisfactory. The Registrar rightly observes:

> "The existing arrears in societies are the cumulative result partly of past mistakes, e.g., reckless lending, benami loans etc., and partly of the present economic depression and the process of recovery of overdues has, therefore, been slow. With an improvement in the present economic conditions and a rise in prices of agricultural produce and the continuance of the sustained efforts of both official and non-official staff, the repayments may improve."

Meanwhile, however, an attempt has been made to lessen the burden of the indebted member at least to some extent by the complete waiver of penal interest and by a reduction in the rate of interest on all outstanding loans, including even the decreed ones. It is rather strange and disappointing that societies, which have been benefited by the lowering of the lending rate by the central bank, should be slow and unwilling to lower their own rates of interest to their members. It is estimated that out of the total outstandings of about Rs. 600 lakhs in societies, about Rs. 500 lakhs still carry 12½ per cent penal interest. We are told that in the course of the two years

only 2,175 societies out of more than 12,000 have actually extended the concessions to their members.

The report contains an interesting analysis of the individual loans of 4,641 societies, which were examined in detail in connection with the Registrar's scheme for the rectification of societies. The total amount including interest involved in these loans was Rs. 216.62 lakhs. Of this amount, a sum of Rs. 125.08 lakhs was well secured and a sum of Rs. 89.54 lakhs was not adequately secured. Additional security was taken in respect of Rs. 14.08 lakhs and the balance of Rs. 75.46 lakhs remained ill-secured. Bad debts were estimated at Rs. 34.24 lakhs and of this a sum of Rs. 6.81 lakhs was calculated to affect the central banks. As against this, the central banks had a special bad debt reserve of Rs. 10.48 lakhs, in addition to the ordinary reserve fund of Rs. 29.73 lakhs. During the year these funds were further augmented and after the audit for 1934-35, stood at Rs. 14.24 lakhs and Rs. 31.33 lakhs respectively. Well may visitors observe, as the Registrar says they have done, that the strong point in the co-operative movement in Madras is the sound position of the financing banks.

Other satisfactory features of the year were that there was a decrease in the number of arbitration references and execution decrees that were pending; that the execution of decrees through the Registrar's staff was satisfactory and he has requested the Government to increase the staff; that the Central Land Mortgage Bank continued to show excellent all-round progress and the collections in the primary land mortgage banks very much improved, so that the percentage of arrears under principal and interest were reduced from 47.68 and 12.84 in 1933-34 to 36.89 and 6.51 respectively in 1934-35; that the sale of agricultural produce, mainly cotton, ground-nut, paddy and jaggery, through loan and sale societies, increased from less than Rs. 5 lakhs in the previous year to over Rs. 17 lakhs in the year under report; that of store societies in urban areas those that worked at a profit showed more profit and those that worked at a loss showed less loss than in the previous year; and that the Milk Supply Union and the South India Co-operative Insurance Society continued to work well.

In respect of supervision, education and propaganda, however, the report has not much to say which is satisfying. The number of supervising unions was reduced from 360 to 301 and the process of reduction has not yet ended. So-called training classes for pancha-

yatdars are said to have been held in five districts in 55 centres and attended by 229 members from 49 societies. We are not told anything abut their duration or curriculum. In the Registrar's opinion, 'education and propaganda are the crying needs of the day'—an opinion which is widely shared by non-official co-operators as well. A subsidy from the Government of India has also come in very timely. We are told that a scheme 'for the comprehensive training of departmental and non-official staff and for the education of panchayatdars and members of societies' has been sent up by the Local Government to the Government of India. We wish that in respect of a scheme for which so much is claimed, non-officials had been taken into confidence and given an opportunity for expressing their opinion on it. That apart, we hope the sanction of the Government of India will be obtained soon and something useful will be done quickly, for a whole year has passed since the Government of India's grant was announced.

The C. P. Governor's Speech.

A considerable part of the speech made by His Excellency Sir Hyde Gowan, Governor of the Central Provinces and Berar, at the commencement of the last budget session of the Legislative Council which is published elsewhere in this number, was devoted to a consideration of the steps taken by his Government to improve the condition of the agriculturists in view of the present economic depression. Speaking of debt conciliation, he said, " By the end of the last revenue year, 11 Conciliation Boards had dealt with no fewer than 11,330 applications, involving debts of 144½ lakhs of which 61½ lakhs or 42 per cent. had been remitted." He anticipated the criticism that most of it was paper debt which never would or could have been recovered, and answered that it *was* there, whether it could be repaid or not, and that a substantial reduction of it was bound to give a feeling of relief to the debtor. He further pointed out that from every part of the province requests were coming for the constitution of these Boards, which showed that whatever might be the verdict of the future upon them, their present benefits were appreciated by the people. A special grant from the Government of India, he said, had enabled the Local Government to sanction the constitution of 5 more Boards. The claim made by His Excellency for these Boards is strikingly modest. Their stisfactory working has been noted even by outside public men and at least in our province legislative action has been taken to walk in the footsteps of the Central Provinces

in this respect. Let us hope that an equal measure of success will attend our effort.

It is surprising that while the Conciliation Boards are appreciated and freely resorted to, the institutions which are meant to supplement them by providing the funds with which to pay off the conciliated debts—we mean, the land mortgage banks—are not being availed of to a sufficient extent. As in this province, the C. P. Government have guaranteed the principal and interest on debentures of land mortgage banks (up to an extent of Rs. 50 lakhs,) and ten such banks also have been started. But up to the end of December last only 71 suitable applications amounting to less than a lakh of rupees had been received. It is certainly a curious phenomenon and very unlike the experience our province. In his own interesting way Sir Hyde Gowan explained the reason :

> The Bank says, 'we will charge you 7 per cent but you must pay on the nail.' The Banya says, '9 per cent and you may pay when convenient.' In the mind of the debtor the small saving of interest is not big enough to outweigh the extra strictness and he goes to the Banya."

The strictness of the Bank will save the debtor, while the Banya's leniency in the early days will only ruin him. The whole object of the co-operative movement is to teach this lesson to the members of societies. That they are so slow to learn it often makes one despair. But there is only one course to follow—to educate and to educate them more in the principles and methods of co-operation.

Other interesting statements made by His Excellency were that the fear expressed in certain quarters that the working of the Conciliation Boards would cause agricultural credit to dry up had not been justified and that the value of lands had not unduly gone down. Said His Excellency :

> "An analysis of the figures for a large number of sales has made it abundantly clear that when abnormalities have been discarded and the real selling value has been calculated there is no foundation for the oft-repeated complaint that that value has fallen to a disastrously low figure. Replies received from revenue officers in all parts of the province, and especially from the Court of Wards and Land Acquisition officers, have shown that with rare exceptions the value of villages is far in excess of any figure at which Government could afford to enter the market."

We do not know that this latter statement could be said to apply to our province, as the value of land in many areas is known to have gone below what it was in pre-war days. Even in the Central Provinces, we should think, the question requires further examination. His Excellency also stated that the provisions of the Cotton Markets Act had been applied with suitable adaptations to all agricultural markets in the province with a view to put a stop to some of the blatant malpractices by which the agriculturists are being cheated at present. This is a direction in which the authorities in our province have not yet taken action, though it is long overdue.

A Notable District Bank in U. P.

It has been a very great pleasure to us to read the 36th annual report of the Fatehpur District Co-operative Bank in the United Provinces. This Bank is unique in having been started several years before the Co-operative Credit Societes Act of 1904 was passed. We understand also that it is the only District Bank in the United Provinces which has a non-official Chairman, the Collectors being the ex-officio Chairmen of other district banks—an arrangement which appears very strange and unco-operative in the eyes of our co-operators. Compared with our district banks, the Fatehpur Bank is a small one, but in several respects its example is worth copying by our district banks. On 30th June 1935 it had 107 agricultural and 3 non-agricultural societies affiliated to it. Its working capital was about Rs. 1,30,000 and that of its affiliated societies about Rs. 2,30,000. It seems there is demand for more societies in the district, particularly for agricultural societies of sugarcane growers and the district bank is in a position to finance them; but for want of an Inspector new societies are not being organised. Apparently in the United Provinces only Inspectors are permitted to organise new societies. In some of the other provinces it is not the case, and we would suggest to the Chairman of the Fatehpur Bank to persuade the Co-operative Department to register societies organised by non-officials like himself. In the report under review, Mr. Dalip Man Singh, the Chairman, says that he visited everyone of the 110 societies at least once and the bad societies and those where special activities have been introduced, three or four times during the year. What is more, he made these visits at his own expense and not at the expense of the District Bank! That is a record of self-sacrificing zeal which has no parallel in other provinces. Further, his wife accompanied him in some of his tours and met the female relations of members of societies

in their homes and made them interested in co-operation. How it gladdens one's heart to read such a statement!

The usual rate of interest is much higher in the U. P. than in South India, being 12½ per cent for the members of a rural credit society. But many societies charge only 6 per cent on loans taken for permanent improvement of land such as sinking of wells and digging of tanks. "It has also been announced that small sums up to Rs. 25 will be allowed to Harijan members free of interest for the repair of one well in every village for drinking purposes whenever necessary." For these two classes of loans the District Bank supplies money to the societies at 4 per cent and without interest respectively. Seventy-seven societies kept medicine chests and distributed simple medicines; eight societies conducted night schools, which also served as clubs and meeting places; some societies supplied improved vegetable seeds to their members; in some societies fruit cultivation was specially encouraged. Un-productive expenditure, we are told, has been very much reduced and litigation among members practically unknown—nay, they also try to settle disputes among non-members as well. The societies in Fatehpur district are thus not confining themselves to mere lending and collecting moneys but are taking an active interest in the lives of the members. The example of the Chairman is particularly worth following.

The T. U. C. S. in 1935.

A recent issue of the *Bulletin* published by the Triplicane Urban Co-operative Society, or the Triplicane Store contains a review of the work of the Society in 1935. During the year its membership and share capital fell from 5,650 to 5,600 and from Rs. 87,970 to Rs. 84,214 respectively. But the sales in 1935 amounted to Rs. 9.36 lakhs against Rs. 8.54 lakhs in 1934, and the profit earned also was progressively larger during the two half-years of 1935. During the half-years ending 30-6-1933 the society worked at a loss, but since then the profit has risen in each successive half-year and it is estimated at Rs. 10,000 for the one ending 31-12-1935. The Society should be warmly congratulated on this steady improvement in its business.

Membership and share capital have been falling since the credit department was abolished a few years ago. The fall in membership has not been great on the whole, and "need not cause as

much anxiety as the large proportion of members on the rolls who could not or would not make any purchase from the Society." An analysis of members according to the purchases made by them shows that in September as many as 1,538 members made no purchases at all while the purchases made by 1,139 members amounted to less than Rs. 5 per head. This high proportion of ineffective membership should cause much more anxiety than the fall in total membership. As the *Bulletin* has rightly pointed out, 'what is needed is a campaign for effective membership among those on the rolls as much as for new members.' We believe no membership campaign has yet been tried by any society in our country, not even by the T. U. C. S., though such campaigns are very common in England and other European countries. It looks as if even those who are giving a good deal of their time for the management of the society do not have enough enthusiasm for the cause or enough faith in themselves to tackle their friends and bring them into the co-operative fold. The steps hitherto taken by them in the matter of co-operative education are utterly inadequate. They have contented themselves with an occasional demonstration or the publication of a bulletin. They have not made any serious effort to interest the housewife in the co-operative store, and yet without her active goodwill the effective membership of a store cannot increase. The present is a very favourable time for the T. U. C. S. to begin its campaign for effective membership, as it has worked at a good profit during the last four half-years and as it has made good arrangements for the purchase of rice, butter and some other articles. We hope that in launching this campaign a special effort will be made to enlist the sympathy of members' wives, who it is that really control the household purchases.

Government Servants and Indebtedness.

It is reported that the present Registrar of Co-operetive Societies, Mysore, has submitted a scheme for the approval of the Mysore Co-operative Enquiry Committee, according to which Departmental Societies are to be started for the benefit of Government servants and the latter are to be prohibited from being members of, or at any rate borrowing from, other credit societies. It is part of the scheme that the proposed Departmental Societies should be able to meet all the reasonable needs of the members, so that they may not be put to any great hardship. It is said that Government servants of the middle and lower middle classes in the State have become heavily indebted by joining several societies and borrowing from all of them

and that the evil is great enough to have been the subject of an enquiry by a departmental committee some time ago; and that it expressed the view that it was necessary to control the borrowing of the subordinate officials. Excessive indebtedness in an official undoubtedly interferes with the proper discharge of his duty and therefore needs to be specially provided against in the interests of efficient administration. But it is also necessary to prevent excessive indebtedness and borrowing from several societies even by those who are not Government servants. This necessity was realised in our province some years ago and a rule has been passed under the Act which runs as follows:—

> "XX. No person being a member of a credit society, except a land mortgage bank, or a financing bank, shall be a member of any other credit society without the general or special sanction of the Registrar; and where a person has become a member of two such credit societies, either or both of the societies shall be bound to remove him from membership upon a written requisition from the Registrar to that effect."

We commend the adoption of a similar rule by the authorities in Mysore. In this connection we reproduce below a question answered in the Madras Legislative Council on 25-3-36:—

Rao Sahib V. I. Muniswami Pillai asked the Minister for Public Works to state whether the Sessions Judge at Ganjam, while acquitting accused in a case on 11th September 1935, expressed that Government servants in active employ must be prohibited from undertaking any honorary office in co-operative societies; if so, what action the Government propose to take to rescue Government employees from prosecutions.

The Minister replied: Yes. It is not possible to give effect to the suggestion of the District Judge. Under the Government Servants' Conduct Rules, Government servants can accept office without the sanction of Government in societies composed wholly of Government servants, or partly of Government servants and partly of employees of local bodies; while the sanction of Government is necessary for them to accept office in other societies. In a society composed wholly of Government servants, etc., it is inevitable that some of them must accept office and be on the committee of management. Even if a paid officer is employed in such societies (which is

not possible in very many societies of this class) the members of the committee of management have to perform certain duties according to the by-laws and are responsible for the administration of the affairs of societies. Government servants are as much in need of the benefits of co-operative societies as others. They cannot be deprived of these benefits simply for the reason that misappropriations have occurred in one or two such societies. When Government servants accept office in other classes of societies the specific sanction of Government is obtained in each case. Government servants are allowed to serve on the committee of such societies only when their presence on the committee is considered necessary for the proper working of such societies. Such cases are exceptional.

We should, however, not like to stop with it. A thrift and better living campaign should be started for the benefit of all members of societies, though it is even more needed for Government servants than for others. There is an unfortunate tendency in the Government servant, especially in an Indian State, to have an exaggerated notion of his status and to live beyond his means. It is inevitable that his example, whether good or bad, should be followed by many, as he generally holds a coveted and influential position. If he adopts a simple life and creates a tradition of freedom from debt, his example will promote thrift as much as it is now promoting extravagance.

Central Banks' Conference—15th Session.

The fifteenth session of the Central Banks' Conference which was held on Saturday and Sunday the 21st and 22nd March 1936 respectively under the presidency of Dewan Bahadur T. A. Ramalingam Chettiar, transacted some very useful business. The Conference examined Mr. Satyanathan's report on Agricultural Indebtedness and formulated its views on such of the recommendations of the report as are of special interest to agriculturists in general and to co-operators in particular. The Conference expressed itself very emphatically against the recommendation of the Special Officer that supervision of societies should be transferred entirely to the Registrar and his Department. The Conference was also against his recommendation to give representation to creditors and depositors in the management of financing banks. The Conference was of opinion that the Debt Conciliation Act recently passed by the Madras Legislative Council was not a sufficiently effective measure to deal with

indebtedness, but expressed the hope that if the operations of the Conciliation Boards were co-ordinated with those of the Government agency and Land Mortgage Banks, for the advance of long term credit, some beneficial results might be expected. We have published elsewere in this issue the text of the memorandum adopted by the Conference and shall be glad to give due publicity to the views of the central banks and of individual co-operators thereon, in these pages.

The Conference passed a resolution protesting against the amendment to section 43 of the Act recently passed by the Madras Legislative Council dispensing with, the concurrence of the Provincial Bank in regard to supersession of central banks by the Registrar and against the rules framed recently by the Government one of which empowers the Managers appointed by the Registrar under section 43 to nominate either themselves or other persons of their choice to the Committees of the financing banks. In this connection, we desire to draw the attention of our readers to the article contributed to this issue by Mr. V. Ramadas Pantulu on "Supersession of Central Banks" and the manner in which the provisions of the Act relating thereto are worked in practice. As may be expected, the Conference passed a resolution to the effect that if the societies affiliated to a central bank, whose committee is superseded, require financial accommodation, such societies should be financed directly by the Provincial Bank, with the Registrar's permission, and not through the Manager in charge of the superseded central bank. This resolution, we understand, has been subsequently agreed to by the Board of Management of the Provincial Bank, unanimously.

Another resolution to which we wish to draw special attention is that which deals with the composition of the Boards of Management of central banks, with reference to individuals and society-representatives. While the generally accepted proportion of one to two is reaffirmed, giving the societies double the representation which individuals have, the Conference resolved by a majority that individuals should be elected by the individual share-holders themselves at a meeting of their own and the representatives of societies should be elected by the general bodies of unions or groups of unions as the case may be. We are of opinion that this is a sound proposal and is calculated to strengthen the management of central banks and ensure the effective representation of the non-borrowing element, without giving them a deciding voice.

The resolutions of the Conference dealing with diversion of portions of the net profits earned by central banks to bad debt reserve and development of loan and sale societies are on right lines. We hope that suitable action will be taken on the various resolutions passed by the Conference.

Statistics of Urban Banks.

At the instance of the Tirupati Co-operative Town Bank, which is affiliated to the Madras Provincial Co-operative Union we sent sometime ago circulars to all Urban Banks whose working capital is about rupees one lakh and more, requesting them to furnish details of their working capital, rates of interest, overdues etc. We publish elsewhere in this number the details furnished by some Urban Banks for the information of co-operators.

Supersession of Co-operative Central Banks.

A NEW DANGER TO THE MOVEMENT.

By Mr. V. Ramadas Pantulu.

Section 43 of the Madras Co-operative Societies Act (VI of 1932) is a new provision which did not find a place in the Indian Co-operative Societies Acts of 1904 or 1912. The main reason for the enactment of section 43 seems to be that in regard to a society which is being mismanaged there should be some intermediate stage before liquidation, after the mismanagement has come to light. This matter was considered by some of the Provincial Banking Enquiry Committees in dealing with the Co-operative Movement, but no Committee recommended the enactment of a provision like that embodied in section 43 of the Madras Act. The Bombay Provincial Banking Enquiry Committee made the following recommendation: "We think that the supervising union, as the local controlling authority, should have the power with the consent of the Registrar to suspend the society when it is not working properly and to entrust the management to a suitable person or persons for a definite period not exceeding two years. If the desired improvement takes place during the period, the Society may be ordered to be reinstated; otherwise it may be ordered to be wound up." It is the supervising union that is to take final action under this recommendation and is evidently intended to apply to primary societies only. Notwithstanding this recommendation, Bombay has not thought it fit to include this provision by amending the Bombay Act VII of 1925; nor does the Burma Act VI of 1927 contain a provision for supersession. In British India, the Bihar and Orissa Co-operative Societies Act (VI of 1935) has introduced a provision for supersession of societies. But section 41 of that Act, which provides for the supersession of the managing committee of a society, is radically different from section 43 of the Madras Act. Under the Bihar Act, the Registrar may dissolve the managing committee of a society, if in his opinion, the committee is mismanaging the affairs of the society. An appeal lies from the order of the Registrar superseding the managing committee to the Local Government, within three months from the date of communication of the order to the society. What is to happen after such dissolution? The Registrar does not proceed to appoint a manager as in Madras. It is provided

that when a managing committee is so dissolved by the Registrar, the society (general body) shall elect a fresh managing committee; but so long as the order of supersession of a managing committee is in force, no member of the superseded committee shall be eligible for re-election to the new committee, except with the approval of the Registrar. Thus, the Bihar Act does not contemplate the entrusting of the management of a society to a manager appointed by the Registrar or to a committee nominated by him, but to a new committee elected by the General Body. Even in electing the new committee, such of the members of the old committee as are approved by the Registrar may be re-elected to the fresh managing committee. If the society does not elect a fresh managing committee as stated above, then the Registrar will require an officer of the society to call a general meeting of the society, or if the officer fails to convene the meeting, he may himself call a general meeting. The general body will review the whole situation and take into consideration such matters as the Registrar may direct and presumably take such action as may be necessary.

Among the Indian States, so far as my information goes, Mysore is the only State that has incorporated a provision in its Code for the supersession of the committee of a society. Section 38 (A) of the Mysore Regulation VII of 1918, as amended by Regulations V of 1929 and VI of 1933, provides for the Registrar calling upon a society to appoint another committee, if in his opinion the existing committee is not functioning properly. It is only in case the general body does not take necessary action to appoint another committee that the Registrar may supersede the Committee and appoint a manager. An appeal to the Government is provided against the order of the Registrar superseding a committee, even when such order is passed after the general body has failed to comply with his requisition to appoint a new committee. In the Mysore Act, the order of supersession must in the first instance not exceed one year and the subsequent extensions cannot exceed one more year, so that the order shall not remain in force for more than two years in the aggregate in any case.*

It will be thus seen that in the two other Acts in India which provide for supersession, the provisions are much less drastic and provide for the general bodies being given fullest opportunity to set

* Sections 41 of the Bihar Act and 38 (A) of the Mysore Act are appended.

right matters before any action is taken. These Acts also provide for appeals to Government against the order of the Registrar superseding the committee of a society. The Madras Act completely ignores the general bodies of societies and also makes the Registrar's order non-appealable to the Government. The application of the provision of the Madras Act in practice has resulted not merely in the supersession of committee of management but the supersession of the general body itself. In the Hospet Central Bank which was superseded by the order of the Registrar with effect from 26th February 1934, no meeting of the general body was convened for 1934 or 1935, though it is obligatory to do so under the by-laws of that bank to consider the administration report and audit certificate of the Registrar. All the by-laws of that central bank relating to the functions of its general body have also been suspended, though there is no provision for it under section 43 of the Act. This is clearly an illegal application of section 43. The order has been further extended for another six months without even consulting the general body.

When section 43 of the Madras Act was originally enacted in 1932, a difference was made between the supersession of committees of primary societies and of central banks. In the latter case, it was expressly provided that the previous concurrence of the Provincial Bank should be obtained for the supersession of the committee of a central bank. But by a very emergent amendment of the Act, suspending normal rules of legislative procedure, section 43 of the Act was amended by Madras Act II of 1936, dispensing with the need for the concurrence of the Provincial Bank in regard to supersession of committees of central banks. In the statement of Objects and Reasons to the Bill, it is alleged that as the Executive Committee of the Provincial Co-operative Bank consists largely of the representatives of the financing banks, there is considerable delay in obtaining the concurrence of the Provincial Bank and that there is no need for a financing bank to be affiliated to the Provincial Bank. A perusal of the files relating to the supersession of the committees of the Hospet and Guntur Central Banks, the only cases which arose before the amending Act II of 1936, will show that the allegations contained in its Statement of Objects and Reasons are unfounded and uncalled for. The reason for the amendment evidently lies elsewhere, but it is unprofitable to speculate.

Since section 43 was so amended by Act II of 1936, the Registrar asked for the opinion of the Provincial Bank in regard to

his proposal to supersede the committee of the Kumbakonam Central Bank. His communication was received by the Provincial Bank on the 14th December 1935 and the matter was finally disposed of by the Executive Committee of the Provincial Bank on the 23rd February 1936, without any avoidable delay having regard to the complicated nature of the case and the meetings of the executive committee being held only once a month. The Committee has always been anxious to give preference to the Registrar's references and treat his proposals with the utmost consideration; and this case was no exception. But a perusal of the correspondence that passed between the Registrar and the Bank and the resolution of the Executive Committee dated 23rd February 1936 will show that after the amendment of section 43 dispensing with the concurrence of the Provincial Bank, the consultation under that section with the Provincial Bank has practically been reduced to a formal affair and that its opinion is invited merely for the sake of a technical compliance with the section. The concern of the Provincial Bank in the supersession of Central Banks affiliated to and financed by it is thus practically ignored. There can be no doubt about the unwisdom of this policy.

Section 43 has been put to a new use by rules purporting to be made under section 65 of the Act. Under the rules as finally published in the Fort St. George Gazette dated 17th March 1936, existing representation of superseded societies on the committees of the financing banks has been terminated and the persons appointed by the Registrar are empowered to nominate themselves or others of their choice to the Board of Management of the financing bank in the place of the representative already nominated by the society. The rule may be barely legal. But if the Government wish to assume new powers to interfere with the composition of the committees of financing banks, they must do so by an amendment of the Act and a vote of the Legislature and not in the guise of rule-making.

I think the present rule in regard to section 43 is a grave abuse of the rule making powers. To fill the Board of Management of the Provincial Bank by departmental inspectors in charge of the management of central banks under section 43 or their nominees could not have been contemplated by the Legislature when enacting section 43. When the Government and the Registrar themselves have not sought for any powers so far to nominate members to the Boards of Management of the central banks and the Provincial Bank in accordance with the well established policy adopted in this

province it is difficult to understand on what grounds of public policy or expediency or interests of the Movement, the vesting of this new power in departmental subordinates to nominate members to the Board of Management of the Provincial Bank can be justified. The Central Banks and the Provincial Bank may agree to the proposal that the representation on their boards from superseded societies may cease, as was contemplated by the rule as originally drafted and to which no objection was raised by the Provincial Bank or the Provincial Union; but they cannot agree to the inflow into their boards of departmental subordinates and their nominees through the back door opened by the rule-making power of the executive. If superseded societies have to be represented, there are the General Bodies of those societies which are not touched by the supersession and they may be vested with the power to send a representative to the financing bank.

It may not be out of place to point out that the person appointed under section 43 to manage a central bank, unless he is an honorary worker, is often a departmental subordinate whose pay and allowance are paid for by the bank and as the paid employee of the bank will be prima facie disqualified to sit on the committee of the Provincial Bank by another rule newly framed. Nevertheless this rule says that he can nominate himself or another person to the Board of the Provincial Bank. To argue that though such a person is paid by the central bank and does its work is not its employee, for he takes the place of the committee, is to take shelter under a supercilious technicality.

It appears to me that the working of section 43 in this manner is beset with considerable danger to the co-operative central banks in this province. The Registrar's source of information will mainly be the reports of local officials and the committees of management of central banks are exposed to very grave risks, unless they are constantly on their good behaviour so as not to incur the displeasure of the local officials. The independence of the Boards of Management of the central banks will be greatly impaired by the atmosphere in which they have to work in constant dread of action under section 43 being recommended by the local officials. As the Registrar's order is not appealable to the Government and the concern of the Provincial Bank in regard to supersession of a central bank affiliated to and financed by it is practically ignored, as the section is so applied as to supersede the General Body as well in

practice and to fill the Board of the Provincial Bank with departmental subordinates as members, a really grave situation is created by section 43 of the Act or rather its misuse. I am of opinion that co-operators must take adequate steps to get the section repealed so far as it relates to central banks and radically modified in regard to primary societies.

There is still another question connected with superseded Central Banks. It is the question of financial accommodation to them by the Provincial Co-operative Bank. The matter must of course be dealt with quite independently of the manner in which section 43 was amended in 1934 so as to deprive the Provincial Bank of a voice in the matter of supersession of Central Banks and the several other matters connected with the working of section 43, which I have discussed above. The question of finance must be decided on its own merits. When a Central Bank is superseded, its financial position and management must both have been extremely bad. The person appointed to manage such a bank will have to engage himself mainly in the task of setting right the management, reducing overdues and paying the creditors of the bank. It therefore appears to me that it is financially inadvisable and inexpedient to continue to finance such banks on the requisition of managers appointed by the Registrar, who are in no way responsible to carry out the conventions and obligations which the committee of a central bank is bound to do in accordance with the precedents and practice which have been so long in force. Sub-section (2) of section 43 as originally passed and before it was amended by Act VI of 1934 did not in my opinion contemplate his embarking on regular banking business, borrowing afresh or lending anew or expanding credit. In most cases he will not have the knowledge, training and equipment to discharge such a function and it will be extremely risky for the Provincial Bank to advance fresh funds to the Central Bank on his requisition. If the Registrar thinks that the societies in the areas of such banks require financial accommodation, and if the Government does not come forward to finance them, the Provincial Bank may with the permission of the Registrar, directly finance such societies after satisfying itself about the eligibility of the borrowing societies for fresh credit. As soon as the managing committees are restored, such new business transacted by the Provincial Bank during the period of supersession may be transferred to the banks concerned.

APPENDIX.

Section 41 of the Bihar and Orissa Co-operative Societies Act (VI of 1935).

(1) If, in the opinion of the Registrar, the Managing Committee of any registered society is mismanaging the affairs of the society, he may, by order in writing, after giving the managing committee an opportunity to state its objections, if any, dissolve the managing committee and order that all or any of its members shall be disqualified from being elected to the managing committee of the society for a period to be specified in the order not exceeding three years.

Provided that the Registrar may from time to time extend the period specified in such order for further periods not exceeding one year at a time, and not exceeding in the aggregate two years.

Every order of the Registrar under this sub-section shall state the reasons for which it is made and shall be communicated by registered post to the registered society concerned.

(2) When a managing committee is dissolved under sub-section (1), the society shall elect a fresh managing committee :

Provided that, so long as an order under sub-section (1) remains in force, no member shall hold office except with the approval of the Registrar.

(3) If the society fails or refuses to elect a fresh managing committee under sub-section (2) the Registrar may—

(a) require an officer of the society to call a general meeting at such time and place at the head-quarters of the society and require the society to take into consideration such matters, as he may direct, and

(b) if such officer refuses or fails to call such a meeting or if there be no quorum at a meeting so convened, call such meeting himself, by giving notice to the members in such a way as he may consider reasonable, notwithstanding any rules or bye-laws prescribing the period of notice for calling a general meeting of the society. Any meeting so convened by the Registrar shall have all the powers of a general meeting convened under the by-laws of the society.

(4) Nothing in this section shall be deemed to affect the powers of the Registrar to order the winding up of a society under section 42 or to cancel the registration of the society under sub-section (8) of section 44.

(5) An appeal shall lie from an order of the Registrar under sub-section (1) to the Local Government on application made by any member of the managing committee within three months from the date of communication of the order to the registered society concerned. The order of the Local Government on appeal, and subject to the result of such appeal, if any, the order of the Registrar, shall be final.

Section 38-A of the Mysore Co-operative Societies' Regulation, (VII of 1918).

(1) If in the opinion of the Registrar, the committee of any registered society is not functioning properly, he may, after giving an opportunity to the committee to state its objections, if any, and after considering the objections raised, call upon the members of the society to appoint another committee in such time as may be fixed by him. If the members fail to appoint a committee which, in the opinion of the Registrar, is likely to function satisfactorily, and the Registrar is of opinion that, in the circumstances of the case, it is undesirable to order the cancellation of the registration of the society he may, by order in writing, dissolve the committee and appoint a suitable person or persons, to manage the affairs of the society for a specified period not exceeding one year. The period specified in such order may, at the discretion of the Registrar, be extended from time to time, provided that such order shall not remain in force for more than two years in the aggregate.

(2) The person or persons so appointed shall have power, subject to the control of the Registrar, to recover the assets and discharge the liabilities of the society and take such action as may be required in its interests.

(3) The Registrar may fix the remuneration payable to the person or persons so appointed. The amount of such remuneration and other costs, if any, incurred in the management of the society shall be payable from its funds.

(4) The person or persons so appointed shall, at the expiry of the period of his or their appointment, arrange for the constitution of a new committee in accordance with the by-laws of the society.

(5) Before taking any action under sub-section (1) in respect of any society, the Registrar shall, if the society, is indebted to a financing Bank, consult such bank regarding such action and the provision to be made for the management of the affairs of the society.

(6) Any member of the society may, within one month from the date of an order passed by the Registrar under sub-section (1), appeal from such order to the Government.

(7) Nothing in this section shall be deemed to affect the powers of the Registrar to cancel the registration of the society under section 39.

Debt Relief Legislation in U. P.

BY MR. LOKANATH SRIVASTAVA, B.A., LL.B.

There has been considerable economic distress in the United Provinces of Agra and Oudh in recent years, as in other provinces of the country. Slump in prices and the indebtedness of those classes which eke out their living from land are some of the causes of this depression. The United Provinces Legislature being alive to the need, has passed six Acts to relieve, as far as possible, the agriculturists and other land owning classes from indebtedness and high rates of interest. Efforts have also been made to retain the landed property of the debtors with them, as much as it may be feasible.

Agriculturists' Relief Act No. 27 of 1934.

The first of the Acts in the line is the Agriculturists' Relief Act which received the assent of the Governor-General on the 10th April 1935 and came into force on the 30th April 1935. This Act attempts to relieve the agriculturist from indebtedness by reducing the rate of interest and by providing easy methods of repayment. The term 'Agriculturist' has been used in a wide sense in the Act and embraces almost all classes of people who depend on land for their livelihood. It includes landlords, under proprietors, *thekedars* paying revenue up to Rs. 1,000 per annum, persons in permanently settled districts who pay a local rate under the District Boards' Act X of 1922 up to Rs. 120 per annum, and persons holding land free of revenue who pay local rates up to Rs. 120 per annum. So far as actual cultivators are concerned the Act applies only to tenants who do not pay more than Rs. 500 as rent per annum and to persons who hold land rent-free, the areas of whose holdings do not exceed 80 acres. Besides these persons the Act also applies to agricultural labourers, general labourers, cowherds, goatherds, dairymen, blacksmiths, carpenters, fishermen, hunters, boatsmen, barbers, tanners and leather workers, scavengers, basket makers, potters, mid-wives, watchmen, weavers or other servants of the village community or any similar class of persons whom the Local Government by notification from time to time may include.

Chief Benefits Conferred by the Act.

(1) Under the Act the Courts are authorised to grant instalments for repayment both in money and mortgage suits and also in cases in which money or preliminary decrees have been passed but

they are not fully satisfied. The time for repayment may vary from 4 to 15 years in various cases.

(2) The rate of future interest on decretal amounts has been reduced to $3\frac{1}{2}$ per cent per annum.

(3) Execution of decrees by sale of agricultural produce has been limited to 4 years.

(4) Summary remedy for the redemption of mortgages merely by an application has been provided by the Act.

(5) In case of possessory mortgages in future the mortgaged property shall be returned to the mortgagor at the end of a fixed term not exceeding 20 years and the mortgage debt shall be deemed as discharged.

(6) Rates of interest have been reduced by the Act as follows:

Amount of Loan.	Secured Loans.		Un-secured Loans.	
	Compound per cent per annum. Yearly-rests.	Simple per cent per annum.	Compound per cent per annum. Yearly-rests.	Simple per cent per annum.
a. Rs. 500 and under ...	$6\frac{1}{2}$	9	11	14
b. Rs. 501 to Rs. 5,000 ...	6	8	$9\frac{1}{2}$	$11\frac{1}{2}$
c. Rs. 5,001 to Rs. 20,000.	$5\frac{1}{2}$	7	8	10
d. Over Rs. 20,000 ...	5	6	7	$8\frac{1}{2}$

(7) Money lenders are required under the Act to keep regular annual accounts of every debtor and to supply a copy of it to him. Failure to comply with this provision on the part of the creditor shall make him liable to lose whole or part of interest and the costs of the suit. The debtor has also the right to sue for the account of the money lent.

(8) A document will be prepared for every loan and a copy of the same shall be supplied to the debtor by the creditor.

(9) A fine of not exceeding Rs. 100 for the first offence and up to Rs. 500 for the second offence will be imposed upon the creditor for entering in books of accounts a sum larger than that actually lent and for not giving receipts.

(10) Interest on unsecured loans will be charged at the rate fixed for secured loans if the debts are paid back at the fixed time or earlier.

(11) Stamp duty and registration fee and copying fee have been considerably reduced on certain bonds executed by agriculturists.

If the bonds are in the form provided by the rules prepared under the Act, no copying fee will be charged for registration.

The following are the rates for stamp duty and registration fees :—

Amount.	Stamp duty.		Registration fee.		Copying fee.
	Rs.	AS.	Rs.	AS.	AS.
Up to Rs. 50	0	1	0	1	3
" 50 to Rs. 100 ...	0	2	0	2	3
" 100 " 200 ...	0	4	0	4	4
" 200 " 300 ...	0	6	0	6	6
" 300 " 400 ...	0	8	0	8	8
" 400 " 500 ...	0	12	0	12	10
" 500 " 600 ...	1	10	2	4	12
" 600 " 700 ...	2	0	2	4	12
" 700 " 800 ...	2	6	2	4	12
" 800 " 900 ...	2	12	2	4	12
" 900 " 1,000 ...	3	2	2	4	12
For ever Rs. 250 or part of Rs. 250, above Rs. 1,000 up to Rs. 3,000.	1	0	0	4	Nil.

The United Provinces Encumbered Estates Act No. 25 of 1934.

The second Act in the series is the United Provinces Encumbered Estates Act, which comes into force simultaneously with the Agriculturist's Relief Act, is intended to protect the landlords who pay not less than rupee one as local rate. Under this Act the debtors are required to make applications within one year from 30th April 1935 to the Collector giving the details of their debts. Special Judges are appointed under the Act. After the application has been made the Special Judge will go into the history of the debts and determine (*a*) the amounts payable by the applicant to each of his creditors and their priority ; (*b*) whether there is any necessity to reduce the rate of interest, keeping in view the principle of *Damdupat*, i.e., the total amount shall not exceed double the principal. In this respect a line has been drawn between the debts incurred before the 31st December 1916 and those incurred afterwards. In the former case the total debt will not exceed double the principal entered in the last document and

in the latter case the total debt will not exceed double the amount actually lent. The Special Judge will keep in view the principles of the Law of Contract and the Usurious Loans Act.

(*c*) Then he will grant simple money decrees for the amount found due and the Collector will then arrange for the liquidation of the debt by grant of mortgage or bonds or by sale of the unprotected property of the landlord and bonds if any. The Collector is also entitled to sell the non-Zamindari property of the debtor as he deems proper after hearing the objections, if any, from the debtor. He will not, however, sell such personal property of the debtor and his family as it may be reasonable for a person of the debtor's position in life to possess, unless the said property is pledged as security for loans. At any rate the Collector will leave for the debtor at least one residential house and its furniture if they are free from mortgage or charge.

The entire debt of the debtor will be deemed to have been discharged after his unprotected land has been sold and bonds to the extent of the instalment value (which will be determined according to the rules framed by the Local Government) of his protected land have been granted. The debtor will also be immune from arrest for his debts. Protected lands are those which have been settled under the Oudh Settled Estates Act or to which the provisions of the United Provinces Estates Act apply.

After the application for the discharge of debts has been made to the Collector, the creditors will be debarred from taking execution proceedings against the debtor in the Civil Courts either by attachment or arrest.

Now there is a class of persons who have remedies both under the Agriculturists' Relief Act and the United Provinces Encumbered Estates Act. But they cannot take the benefit of both the Acts. Once the debtor has applied under the latter Act, he will be debarred from taking refuge under the former one. The chief intent of the United Provinces Encumbered Estates Act is to protect those Zamindars whose property, for some reason or other, cannot be administered under the Court of Wards Act.

The United Provinces Regulation of Sales Act.

The third Act passed is the United Provinces Regulation of Sales Act. This Act also came into force on the 30th April 1935, but its duration is short unless, of course, it is extended by the Local Government. Ordinarily its provisions will terminate on the 1st November

1936. The chief object of this Act is to protect only agricultural lands which, but for the Act, will be sold for very inadequate prices owing to the slump in the land market. This Act applies to cases where agricultural land is sought to be sold in execution of a decree for the debt contracted before the passing of this Act and the court does not grant instalments. Under this Act the Collector shall determine the value of the land attached on the basis of profits which would accrue if the remissions in rent, revenue etc., were not in force. This means ignoring the conditions which have led to the fall in the prices of land. The value of the land would be such multiple of the pre-slump profits as the Collector determines, subject to appeal to the Board of Revenue. After calculating the value of the land attached, the Collector would calculate if the whole or part of the land attached would satisfy the decree entirely.

Under this Act the creditor has three alternatives before him. He has either to (*a*) take the agricultural land or amount of agricultural land so determined as the case may be or (*b*) to get the sale postponed till 1st November 1936, during which period the execution of the decree shall be entirely suspended and no interest for that period shall accrue, or (*c*) to get the whole or portion of land as determined by the Collector, sold and accept the proceeds in satisfaction the decree to the extent of the value of the land as calculated by the Collector.

The United Provinces Temporary Regulation of Execution Act No. 24 of 1934.

The fourth Act is the United Provinces Temporary Regulation of Execution Act. The object of this Act is to protect small agriculturists who do not pay more than rupee one per annum as local rate and do not follow any other profession but agriculture. The Act also includes persons who are agriculturists, agricultural labourers, general labourers, cowherds, goatherds, dairymen, blacksmiths, carpenters, fishermen, hunters, boatsmen, barbers, tanners and leather workers, scavengers, basket makers, potters, midwives, watchmen, washermen, weavers, or other servants of the village community or any similar class of persons whom the Local Government may include in the list by notification in the official Gazette.

The provisions of this Act are very limited in nature. The Act does not apply to, (1) any decree passed after the commencement of this Act, or (2) any decree passed in favour of a co-operative

credit society registered under Co-operative Societies Act 1912, (3) any decree passed on the basis of a contract whereby a cultivator promised to supply sugarcane or other agricultural produce in consideration of an advance of money made in order to enable him to carry on the operation necessary for the production thereof, or (4) any decree whose decretal amount excluding future interest is less than Rs. 10 or more than Rs. 1,000 or (5) any final decree for sale where the amount required to be paid under the preliminary decree was less than Rs. 10 or more than Rs. 1,000 or (6) any decree the amount of which has beeu reduced under the Agriculturists' Relief Act 1934.

Chief benefits under the Act.

Under the Act a judgment-debtor is required to make an application to the court passing the decree on execution court within one year of the commencement of this Act, i.e., within the 30th April 1936. With this application or on some subsequent date not later than 30 days as fixed by the court, he has to deposit in the court 25 per cent of the amount due under the decree. This being done, the court shall fix annual instalments, not exceeding five, but the total amount required to be paid by instalments shall not exceed 40 per cent, if the rate of interest at which the debt was incurred exceed 24 per cent per annum, or 50 per cent if rate of interest is less than 24 per cent per annum, of the amount due under the decree. Besides this no interest shall be chargeable on the instalments. Thus the debtor saves 25 per cent to 35 per cent of the decretal money and future interest.

The Usurious Loans Act X of 1918 as amended by the Usurious Loans (U-P.) Amendment Act No. 23 of 1934.

The fifth Act is the Usurious Loans Amendment Act of United Provinces. This Act puts definite limits to rates of interest. In case of secured loans the rate of interest shall be deemed as excessive if it exceeds 12 per cent per annum and it shall not be deemed as excessive if it does not exceed 7 per cent per annum. Thus the two limits are fixed and the court has been vested with a discretion between 7 and 12 per cent per annum. Similarly in the case of unsecured loans upper and lower limits have been fixed as 24 per cent per annum and 9 per cent per annum respectively.

The Agriculturists' Loans Amendment Act of 1934.

The sixth and the last Act of the series is the Agriculturists' Loans (United Provinces) Amendment Act of 1934. This Act empowers the Local Government to grant loans to agriculturists for the payment of the existing debts. This Act will help the agriculturists to repay their debts more conveniently and it will be of great help for the purposes of the United Provinces Encumbered Estates Act.

House-Sites for Depressed Classes.

By Mr. R. Suryanarayana Rao, B. A.

Servants of India Society.

To those familiar with the conditions under which the depressed classes live especially in rural areas, the fact that they have to depend on other classes not only for their maintenance but also for the land on which they build their houses and live, has often proved a great stumbling block for the success of any scheme of social or economic uplift undertaken for their benefit. This entire dependence on other classes has had a great demoralising effect. But their economic position is so bad that they are not able to acquire the house-sites even if they wish to and in some places no land is available except that on which they are already settled, which invariably belongs to landlords for whom they toil. When the Labour Department was organised in this presidency under the able direction of the late Sir George Paddison, one of the important items of work laid down in his scheme of ameliorative work was the provision of house-sites. He rightly realised that in order to infuse a sense of self-respect and to create in them a desire for social and economic uplift, they should at least be enabled to possess house-sites where they could build and live without being subjected to the whims and caprices of their landlords. Sir George Paddison also found that in all places Government waste or poramboke land was not available for assignment, and that if the depressed classes were to be helped to possess house-sites of their own, the lands on which they were already settled but which belonged to landlords, had to be compulsorily acquired and parcelled out to them in convenient plots. This decision on the part of Government to acquire lands for house-sites for the depressed classes was stoutly resisted by the landlords and there was litigation on that account. Thanks to the decisions of the Courts the doubt whether acquisition of land for house-sites for the depressed classes is a public purpose has been set at rest. In regard to lands acquired Government could not give away the house-sites free of cost. For the purpose of helping the members of the depressed classes who required house-sites but who could pay the cost only in instalments, in some districts co-operative societies were started while in others assignment was made directly by Government, in both cases the cost being recovered by instalments. So the two

methods which have been followed for the purpose of providing house-sites are :

(1) Assignment of waste or poramboke lands free of cost under alienation rules, requiring the guarantee to build the house within a particular period and assessment or groundrent as the case may be, being charged only after a lapse of a period of years, generally seven years.

(2) Acquisition of private lands, especially lands on which they are already living, and allotment of convenient plots for the construction of houses.

It may be interesting to know that under the scheme of assignment of Government waste or poramboke land up to the end of the years 1934-35, the total number of house-sites provided was 35,169, of which during 1934-35 alone the number provided was 1,465. The following are the figures according to districts:

East Godavari	...	9,908
West Godavari	...	690
Kistna	...	817
Guntur	...	3,543
Nellore	...	3,126
Anantapur	...	834
Bellary	...	4,736
South Arcot	...	2,808
North Arcot	...	382
Trichinopoly	...	1,220
Tanjore	...	150
South Kanara	...	6,126
Salem	...	351
Madras	...	478
	Total ...	35,169

It will be seen from the above figures, taking into account the population of the depressed classes in each district that the number of house-sites provided is comparatively very small. But it is gratifying that a step in the right direction has been taken and those who have occasion to visit the homes of the depressed classes can observe with what pride the possession of land and house which they can call their own the members of the depressed classes refer to. Still large extents of land reserved for their use remain unassigned. The fact is that most of the land left unassigned consists of tracts which are

either quite unfit for cultivation or even habitation or a large amount of money is required to bring it under cultivation.

Undetterred by the opposition of the vested interests, the Government have pursued the policy of acquisition of private lands for house-sites. In regard to the lands acquired the policy of Government has been to recover the cost of acquisition in convenient instalments spread over a number of years and the assignment is made either direct to the applicants or through co-operative societies formed among the proposed assignees. The Government have also paid out of public funds the cost of land for streets and other public purposes, the assignees being required to pay only the cost of the plots assigned to them. For the past two years the Government could not allot any amount for purposes of acquisition of land for house-sites and such acquisition as has been made during this period has been in regard to cases wherein the applicants paid the entire cost of land required for their house-sites. It is unfortunate that owing to financial stringency the Government were forced to abandon this method for provision of house-sites; but it is hoped this abandonment is only for a time and it will soon be resumed. The Commissioner of Labour states in his report for 1934-35 that there is great necessity for the extension of cheris. Under the method described above particulars of house-sites provided in each district are as follows:

East Godavari	11,128
West Godavari	1,737
Kistna	3,640
Guntur	4,099
Nellore	208
Anantapur	422
Bellary	384
Chingleput	1,064
South Arcot	3,033
North Arcot	1,401
Trichinopoly	1,005
Tanjore	7,308
Kurnool	85
Cuddapah	26
Total ...	35,540

The depressed classes in rural areas are generally agricultural labourers who receive their wages mostly in kind and the low prices the grain fetches owing to unprecedented economic depression in recent years

have rendered them financially incapable of repaying the cost of house-sites even in instalments. Moreover, as the Commissioner of Labour points out, in most cases lands were acquired at a time when the market value was abnormally high and owing to the fall in the present value of land, the assignees are anxious to vacate their sites rather than continue to pay the comparatively high value. Coercive processes for the realisation of instalments due have been of no avail as in most cases the amounts realised by auction sales are comparatively low. Eviction proceedings have done more harm than good for in most cases it is not the unwillingness to pay but want of ability to repay that has been the cause of accumulated arrears which are very large. In deserving cases Government have been pleased to write off interest due and to extend the period of repayment of the principal. But even these concessions seem to have had no effect. The problem how best to meet the situation and whether the Government should entirely abandon the policy of acquisition of land for house-sites, have for some time engaged the attention of Government. This subject also formed part of the agenda of the Collectors' Conference. It is encouraging to learn that the Conference was in favour of giving certain concessions to the depressed classes. In reviewing the report of the Commissioner of Labour for 1934-35, the Government have announced their decision which may as well be quoted here :

> "After very careful consideration the Government have decided on a scheme by which they will bear half the cost of acquisition, subject to a maximum of Rs. 125 per acre for dry land and Rs. 250 per acre for wet. Of the balance the applicant is to deposit 50 per cent before acquisition and pay the remaining 50 per cent in a limited number of instalments, not exceeding ten, by way of equated payments covering principal and interest."

There is no denying the fact that the policy enunciated by Government marks a notable departure from the orthodox line of action and it is a great step taken to indicate that the Government are keenly alive to their duty towards the depressed classes and are prepared even to forego large amounts to promote the economic condition of the depressed classes. But there are some points arising out of the decision of Government which need further elucidation. It is not clear whether the change of policy will be applicable also to cases of acquisition in the past in regard to which considerable difficulty is experienced in realising the dues. As the change of

policy arises out of the present situation, it is hoped the decision will be applicable to past cases also. If that is so, it is just possible in some cases at least the assignees would have by now managed to pay off 50 per cent of the cost and they can therefore hope to become owners of their plots immediately. The maximum of the liability of Government fixed seems to be somewhat inadequate. It may be sufficient in areas where land, whether dry or wet, is not costly. But in delta areas where the cost of wet land is bound to be high in spite of the economic depression, the maximum provided is insufficient. It is earnestly hoped that in deserving and really hard cases the Government would be pleased to raise the maximum. Then the Government demand that one-fourth of the cost acquisition should be paid before acquisition and the remaining one-fourth could be paid in instalments. It may be pointed out that this insistence on payment of one-fourth of the cost all at once requires reconsideration. In most cases they may not be able to find the amount. The Government may be pleased to consider the question of arranging the repayment of half the cost of land in twenty equated instalments.

The Commissioner of Labour, Mr. Rutherford, who has so ably presented the facts of the case to Government and has influenced Government in giving these concessions, has placed everyone under a debt of gratitude. It is hoped he will also consider the points raised in this article and will do his best to get these concessions also, so that in a few years the economic improvement of the depressed classes may be assured.

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Conferences.

THE VI PUDUKOTTAH CO-OPERATIVE CONFERENCE.

The sixth Pudukottah Co-operative Conference was held on the 21st February 1936 at Viralimalai which is a village in the State with a credit society and a store.

The Conference was opened by Sir A. Tottenham, the Administrator, and was presided over by Diwan Bahadur K. Deivasikhamani Mudaliar, retired Joint Registrar of Co-operative Societies, Madras. Many prominent co-operators from Pudukottah and some from Trichinopoly attended the Conference.

ADMINISTRATOR'S OPENING ADDRESS.

Sir A. Tottenham in opening the Conference said :—

When I was invited to open this Conference, I felt it my duty to accept the invitation in view of the great interest that the Darbar necessarily take in the growth and well being of the co-operative organisations here. The benefits—material and moral—that these institutions might confer on the people of this country are so well known to you all that I need not dwell upon them. I take it that all of us here are agreed that a really flourishing co-operative movement based on the thrift and honesty of the people and their desire to help themselves, is bound to be of immense good to the country as a whole and to the agriculturists in particular.

It is more than 25 years since this movement was started in our State. To day, as you know, a large number of rural credit societies and societies of other types are not functioning properly for one reason or another, and it is but a poor consolation to be told that this state of things is by no means peculiar to Pudukkottah. It is therefore proper that co-operators should assemble together from time to time as you have [illegible] here to-day, take stock of the situation, examine the causes that have [illegible]ced the existing state of affairs and endeavour to concert remedial [illegible]ures. Even were I competent to do so, I should not think it proper [illegible]judice your deliberations by telling you what in my opinion are the [illegible]es affecting the movement or the remedies for those diseases.

You are to be congratulated on your good fortune in securing as [illegible] President to-day Diwan Bahadur Deivasikamani Mudaliar, who has [illegible] worker in the co-operative field for over 30 years and actually [illegible]ed the destinies of the movement in the adjoining Madras Presidency [illegible] many years. Under his guidance and with his advice I hope that

Dewan Bahadur K. Deivasikhamani Mudaliar, Avl.,

Retired Joint Registrar of Co-operative Societies, Madras,

and President, the Sixth Pudukottah Co-operative Conference.

Sir Alexander Tottenham,
Administrator, Pudukottah.

Mr. G. Sundaresa Iyer,
Chairman, Reception Committee,
Pudukottah Conference.

you will be able to arrive at useful and practical conclusions as to the manner in which the movement may be reformed and stimulated, its defects eradicated, and its scope expanded. I await with interest the result of your deliberations and on behalf of the Darbar can assure you that we shall continue to do all that we can to help the movement so far as we can do so consistently with our responsibilities to the general tax-payer, and with the principle to which I attach great importance that the movement should be predominantly non-official and spontaneous. It is very necessary that members of co-operative societies should be made to realise fully that they can, if they will, gain concrete financial benefits from their membership, and that they must look for those benefits not to the public purse or the machinery of any Government Department, but to their own will to help themselves and their determination to be thrifty and honest.

It may interest you to know that the Darbar are conducting an agricultural marketing survey in conformity with the instructions issued by the Imperial Agricultural Marketing Expert from time to time. The survey of the ground-nut crop has been completed, and you will perhaps be surprised to hear that according to the estimate of the Marketing Officer, our State is exporting every year about Rs. 8 lakhs worth of ground-nut. I find that the area under this commercial crops was 45,850 acres in Fasli 1330 whereas in Fasli 1344 it was only 15,428 acres.

In the hope of increasing the area under this crop, which has declined on account of the fall in the price of the produce and of the difficulties of finance, the Darbar are considering the possibility of helping the ryots to finance the cultivation of this crop and also devising measures to enable them to find a profitable market for their produce eliminating the middle man and his sometimes false weights and measures. Similar measures may be extended to other commercial crops, such as cotton, chillies, sugar-cane and tobacco. We have also sent our Rural Improvement Officer, a Touring Veterinary Assistant and two other officers to the famous Y. M. C. A. centre at Martandam in Travancore to be trained in improved methods of Poultry-farming, Cattle breeding, Bee-keeping, Palmyrah Jaggery manufacture, Cashew-nut roasting, etc., and as soon as they return we hope to take practical steps mainly by intensive work in selected villages to induce the ryots to take to these profitable occupations. But it must be remembered that if this or any other scheme is to prove a success, the hearty and honest co-operation of those to be benefited by it and of their leaders is essential. Your co-operation and your local knowledge and influence can be of the utmost value in this sphere and I hope that they will be forthcoming. I will not detain you longer.

I have great pleasure in declaring the Conference open and I wish it every success.

WELCOME ADDRESS.

Mr. G. Sundaresa Iyer, Chairman of the Reception Committee, in the course of his Welcome Address said :—

There are 154 societies in the State. Four are non-functioning unions, one Central Bank, one Institute and 13 non-credit societies. The number of members on 30—6—35 was 11,653. The paid up capital of all these societies amounted to Rs. 1,11,821. Deposits amounted to Rs. 9½ lakhs. Reserve funds amounted to about Rs. 2½ lakhs. Loans due to the Central Bank from rural societies amounted to 2,26,000 of which 9 liquidated societies owe to the Central Bank Rs. 16,211. 33 societies have been superseded and 22 societies are in a dormant condition.

The Central Bank had no difficulty for funds. It had nearly 2 lakhs of rupees which would have been with it permanently. But unfortunately there was no need. Societies failed to function, monies advanced could not be recovered. In order to avoid loss, the Central Bank returned most of these deposits. In 1932, the Department was placed under the charge of a Deputy Registrar, an able officer. He has done much to improve the position. He has inspected several societies, weeded bad elements and has inspired energy where it was wanting. He has often made several useful suggestions. He has persuaded societies to reduce interest on deposits and loans. The thanks of the co-operators are due to him for what he has done.

Supervision.

This is a vexed question hanging fire for years past. Mr. Satyanathan has pleaded for official control. There is strong criticism of his opinion in the "Madras Journal of Co-operation." The exponent of non official opinion, Mr. Ramadas Pantulu, has pleaded and is pleading for greater decentralisation and non-official control. Where the management becomes rotton and where there is abuse in societies certainly the department must take strong action. There is no use of preaching democratic principles then.

The Department.

In this State, we have at present only a handful of non-officials taking interest. Supervision has been with the Central Bank from 1931. Diaries are available and a report has been sent to the department. A deputation waited on the Assistant Administrator to settle this question. The matter is pending. All superseded societies are under the control of the Registrar. The urban societies are under his control. Practically there is no supervision for them. Official supervision *in my opinion*, will prove a thorough failure at the present stage of the movement Much depends upon interest evinced—be he an official or a non-official. Official supervision will result in stereotyped forms and artificiality. Authority will take the place of friendly criticism. It will be mechanical.

and will be dull and uninspiring. This is my personal conviction. Diwan Bahadur T. A. Ramalingam Chettiar observes "seeing the present condition of the societies, it is very necessary that this question of supervision should be tackled and some satisfactory arrangement made in each district. I am not one who believes in any one panacea being universal. Problems as well as their remedies differ from place to place. What is good for one place or one set of institutions may not be good for others. So I would request each district to consider this question urgently and come to its own conclusion." Non-official supervision, without some sort of official control, may not also be successful at present. There must be team work; lines of work should be chalked out and there must be a board of officials and non-officials for supervision. The Board must meet monthly, review the work done by supervisors, pass their pay bills and do other things necessary to rehabilitate the movement. Supervision, Audit, Inspection—all these may have different meanings but the only work that has to be done now is the work of collection and the work of finding out how much in each society will prove irrecoverable. Government should contribute a portion of the expenses, if necessary. These are days of necessary retrenchment and I feel nervous to make this suggestion. In each society, each loan must be thoroughly examined, conciliation should be attempted, loans secured, committees formed wherever possible, societies should be grouped and placed in charge of competent persons.

Agricultural relief.

Everywhere we find legislation, drastic and mild, to give relief to the agriculturist and to relieve him from the burden of debt. Mr. Satyanathan has suggested the passing of the "Debt Conciliation Act" which is now made law in the Madras Presidency. Travancore and Cochin have appointed committees whose reports are under scrutiny. In this State also, an agricultural relief committee has been appointed and it has begun to function. On a careful reading of the reports, the acts and the Bavanagar scheme, blessed in several quarters, I find that there is a unanimity of opinion with regard to some points. There should be conciliation on a voluntary basis between the creditor and the debtor. A creditor who is ready and willing to receive a portion of his debts in full satisfaction of the claim must be paid his dues. There should be a net work of land mortgage Banks with money to be repaid in 20 to 40 years at cheap rates of interest. The agricultural loans act should be amended to enable the Government to advance money to agriculturists for discharge of prior debts etc. A simple rural insolvency law should be enacted. Immunity from arrest should be granted to the agriculturist not guilty of fraud. Subsidiary occupations should be found for agriculturists who should learn thrift. Our Committee has just begun to function. But I am afraid that, unless the Government appoints a

separate officer with establishment for this work, no work is possible in the near future. It is a physical impossibility. So far as I have been able to see, the only thing that is feasible is to study the debt problem and to start a Central Land Mortgage Bank whose debentures must be guaranteed by the Government as has been done in other provinces and Cochin State. Any drastic legislation will not yield any beneficial results but will only make the position of the ryot more difficult. What form Land Mortgage Bank should take and whether the Land Mortgage Bank in the State, with scanty rainfall and no rivers, will work, is a question that must carefully engage the attention of this conference and the Government.

Registration fees, Audit fees and Execution fees

The recent rule levying half the registration charges has created some stir. In these days of retrenchment, it is unfair to ask the Government for more and more concessions. But it appears to me that, so far as rural societies are concerned, the concession orginally granted may continue. Several societies are liquidated and several have been superseded and several are awaiting that stage In these societies, loans have to be secured on mortgage of immovable property. Encumbrance certificates have to be obtained and it is a real hardship if the concession is withdrawn in the manner it has been done at present. The loss to the Government is very little and I would appeal to the Government to examine the question and to give exemption to such societies as may be recommended by the Registrar.

The question of audit fees has been engaging the attention of the department and if fees have not been levied hitherto, it is only due to the sympathetic attitude of the Administrator. The department was alert. It copied the Madras rule. In Madras there was a strong agitation against the levy and the fees have been reduced. Travancore and Cochin are just now thinking of this levy. In this poor State there are only 5 or 6 societies which can come under this category. It is said that Reserve fund should not be taken for establishment charges. I do not know on what principle, it should be taken into account for purpose of audit fees. After all, a competent Inspector on Rs. 40 to 60 can certainly audit these societies. It is such an officer that has been doing the work carefully and well all these years. The Government should not think of making a profit on this item. At the recent session of the Madras Legislative Council, I believe, the Government pointed out that the money collected was only enough for actual expenses. The Travancore Committee have recommended that no audit fee should be levid from the smaller limited liability societies also. The Government should take a generous view and should not levy audit fees and introduce a rule for the sake of 3 or 4 societies. If an audit fee is decided upon, it must be enough to cover

the actual expenses and the Government should not think of making a profit out of the bargain. The scale fixed is arbitrary, unduly high and will be a real hardship. I appeal to the Government to study the question if and when the matter comes up before them for consideration and hear what we have to say on the subject before passing any orders.

We are fortunate in that, our sympathetic Government have not levied fees for execution. Had fees been levied, the result would have been disastrous. The department will only be another Civil Court with its concomitant disadvantages without any, corresponding advantage except that it may bring a small revenue to the Government. While I fully appreciate the other point of view, I submit that this is not the time for such levy.

In conclusion he made the following suggestions :—

(1) The question of supervision should be settled once for all in the manner suggested if real success is to be achieved. The Registrar is to be " the friend, philosopher, and guide. "

(2) A liberal grant should be made to the Institute in order to enable it to carry on an effective propaganda.

(3) The services of competent non-officials should be utilised. Two or three persons may be appointed as Honorary Assistant Registrars to dispose of all arbitration work and help the Registrar in office work if feasible.

(4) Groups of societies may be placed in charge of paid clerks, when sufficient men for management are not available. Amalgamation should be attempted.

(5) The Central Bank may be permitted to advance money on pledge of produce either directly or better a central marketing co-operative society may be tried as an experiment. Government should grant necessary facilities.

(6) A land mortgage Bank may be started, if Government guarantee principal and interest for its debentures. Loans advanced should be limited. 2 or 3 areas should be selected as an experimental measure. Only creditors willing to come to reasonable conciliation should get their dues from their debtors offering adequate security.

(7) The law must be modified so that the liability of members who join a rural society just for the purpose of helping it without incurring any liability as principal or surety may be made limited.

(8) The Regulation should be suitably modified, on legal advice, so as to make the law of limitation clearly inapplicable to arbitration proceedings and executions.

(9) Power should be taken again to enforce unlimited liability even before liquidation.

PRESIDENTIAL ADDRESS.

Mr. Deivasikhamani Mudaliar's address was informing and interesting as it contained his views formed after an experience of nearly thirty years. The following are extracts from his address :—

The present condition of the movement.

The co-operative movement in the whole of India is now passing through a crisis. The faults committed by persons at the helm of affairs of societies either deliberately or out of ignorance and the widespread economic depression have brought the movement to this critical condition. The fall in prices of agricultural produce has hit hard the agriculturist, and he does not get enough income at present. After the Great War prices of produce rose very high and the increased income which the ryot got raised his standard of living. He learnt to spend liberally. But when the prices have gone down now he finds it difficult to make both ends meet. He is unable either to cut down his expenses or to pay his debts. When he was in affluent circumstances he freely borrowed. But when suddenly there is a fall he is in a fix and is unable to repay his loans. The value of his land has fallen considerably. His land is valued now only at one half or one-third of its value five years ago. There are no buyers even at this price. When I was acting as Registrar, I once received a petition from a borrower of a rural society to the following effect :—

" When the prices of lands and of produce were high I raised a few loans from the co-operative society in my village. For the first two or three years thereafter I was paying the loan instalments regularly. During the past two or three years the value of land and the prices of produce have gone down and it is no longer possible for me to pay my dues to the society. There are no purchasers for my lands even to the extent of the moneys due to the society. I am anxious to get rid of my debts. You will please, therefore, ask the society to take my lands in full settlement of its claims."

I was very much pained to read this petition and it opened my eyes to the piteous condition to which the ryot was reduced on account of the depression. It is only after this that I took steps to give whatever relief that a Registrar could give to the members of co-operative societies. The ryot in the Pudukottah State has been equally affected by the depression as elsewhere. It is no wonder that the co-operative societies here are in no better condition than in other parts of India.

As elsewhere in India, there has been a set-back to the progress of the movement in Pudukkottah. On 30th June 1930 there were 119 village credit societies with a working capital of five lakhs and sixty-one thousand rupees. But on 30th June 1934 there were only 102 societies with a capital of four lakhs and eighty thousand rupees. There has been

a progressive fall in the borrowing by societies year by year. The loans due by societies consequently fell from 3·42 lakhs of rupees to 2 lakhs of rupees on 30th June 1934. The overdues of members have on the other hand increased. The percentage of arrears to demand in regard to principal in rural credit societies was 71 on the 30th June last. The condition of the movement is not however beyond redemption and there is yet hope of revival.

Defects in the working of societies.

The defects found in the working of societies seem to be common to societies all over India. From a perusal of the annual Administration Report of the Registrar of your State and of the notes furnished to me by the authorities to the Pudukkottah Institute, I find that the societies in the State are suffering from the same disease as elsewhere. The greatest mistake which the societies committed is, in my opinion, the transfer to themselves freely of all outside debts of their members. No thought was ever bestowed on the repaying capacities of the borrowers nor on the sufficiency of the periods permitted for repayment of loans. The result is that there are at present in societies a very large number of loans which cannot be repaid out of income within periods which the Central Bank can give. I shall have something to say about ' prior debts later but I shall say this much now. Much harm has been done to the movement by allowing societies to take over the prior debts of their members. Another serious defect which has affected the societies is what is called a "benami loan". You all know what it is. It is a loan taken by one to accommodate another. A person resorts to this type of loan either to escape the odium that he has taken the largest amount from his society or out of necessity, having exhausted his maximum borrowing power. Do you know to what extent members of societies go to hide the truth in these loans. At the auditor's verification to queries of inspecting officers and before the arbitrators passing awards the nominal borrowers stoop to accept the liability for the loan. But when the decrees are sent up for execution they come forward with the truth. It is only at this stage that the bonds of friendship, relationship or whatever it be that exists between the nominal and the real borrowers give way. If co-operators stoop to hide truth even at the stage of passing a decree how can co-operative societies thrive at all ? In the case of a benami loan the test of repaying capacity cannot be applied nor can the use to which such loan is put be ascertained. By the grant of benami loans influential individuals or groups of individuals are benefited at the expense of the general body of members and in nine out of ten cases the benamidars are hopeless defaulters with the result that societies cease to function. The other defects which are found in societies you all know and I need not enumerate them. I have

pointed out only the above two defects which are mainly responsible for the present condition of the movement.

Prior debts of the ryots.

It is now 32 years since the movement was introduced in this country. It is freely said that the movement has failed and the original object with which it has been introduced has not been realised. The agriculturist is not relieved of his indebtedness to any large extent and that the benefits which were expected of the movement have not been achieved. It is no doubt true that the ryot has not been relieved of the burden of his debt. But the co-operative movement is not at all to be blamed for this. I admit that the movement was introduced into the country as a result of prolonged discussion as to how the problem of indebtedness of the ryot should be solved. But we have to consider whether the Act X of 1904 ever contemplated that societies registered under it should take over the prior debts of their members in their entirety and allow them to pay the debts in small sums. After the Act came into force, except societies in the Madras Presidency, societies elsewhere in India endeavoured to issue only short term loans and never tried to disburse loans for long periods sufficient to pay the outside debts. Even in Madras in the beginning, societies gave only loans repayable in one to three years. Later, for some time, they issued loans repayable in periods ranging from two to eleven years and thereafter issued loans repayable in periods not exceeding two to six years. The co-operators are not unaware of the fact that it is quite impossible for a ryot whose prior debts are large to repay his loan to his society out of his income from land in the time allowed to him. But you may ask me to what extent village co-operative societies were expected to assist the royts in relieving their indebtedness. It is this. If he is given timely loans for agricultural purposes, such as purchase of seed, manure, cattle and for holding up produce for a better market, at reasonable rates of interest, he may till the soil in time, adopt the latest improved methods of cultivation and increase the yield of his lands. He may then be able to set apart a part of his increased income towards the repayment of his old debts. This is what is expected of the village credit societies. There is however the fact that the working of the societies during the last thirty-two years has not resulted in reducing the indebtedness of the ryot on any large scale. Although it cannot be denied that many societies gave timely loans to their members for agricultural purposes, the loans taken by ryots for agricultural purposes were not large compared with the amount required for such purposes. The ryots were keen only in taking loans for discharging their old debts. When loans were given for paying off prior debts, the period for the repayment of the loans and the rate of interest thereon were fixed not with reference to the income from land but with

reference to the prevailing market conditions. Societies, though they issued loans with interest at 9⅜ per cent, were actually collecting interest at 12½ per cent, owing to default of payment on the due date. You will all agree with me that it will be very difficult for a ryot to get an income from his land which will enable him to pay 12½ per cent, interest on his borrowed money for payment of old debts. Before the advent of co-operative societies the ryots were no doubt paying interest on their loans at rates ranging from 24 to 48 per cent. The reductions in the rate of interest in co-operative societies helped the ryots to retain their lands for a longer time. What I mean is this. If a land had to be sold to pay off a debt borrowed at 24 per cent after 8 years the co-operative society helped him to retain the land for 16 years by charging a lower rate. You may ask me that if the co-opertive societies cannot help ryots very much in the redemption of their prior debts what else can be done for relieving them of their indebtedness. It is not easy to answer this question. It is only an incresed income that can save the ryots from his old debts. An average ryot does not contract prior debts by extravagant living or by spending too much on ceremonies. An experiment is being conducted in a district in Madras where loans are given only for ascertained cultivation expenses at so much per acre. It is found that at the end of each season that many borrowers are not in a position to pay the whole of the money lent. Some amount is left over and this is, if not paid even at the end of the subsequent season, will accumulate as a prior debt. This experiment has so far demonstrated that the income of the ryot is not at present sufficient to make both ends meet. Unless his income is increased, even a long term loan may not be of much use for payment of old debts. When the co-operative moment was started in the Coimbatore district, the ryots of those villages where co-operative societies were organised were head and ears over in debts. Later, the Agricultural Department introduced the cultivation of Cambodia cotton in the district. As the yield of this variety of cotton was great and as the price was also high, it was found that the ryots got rid of their old debts and were becoming prosperous and thatched roofs were replaced by tiled roofs. But when the price of cotton fell down again the ryots once again fell into debts. I emphasise, therefore, that if one wants to be rid of his debts, he must increase his income. For the increase in income, the ryot must have increase in yield of the produce and a fair price for the produce. He must have the best variety of seeds and also timely loans for agricultural purposes. He must adopt the latest improved methods of cultivation. He must have ample facilties for selling his produce at a fair price. The ryot must have easy means of communications for transporting his produce. Every village must be connected by a good road with a market centre. The ryot must have an assured income and for this he should not depend upon rains alone. Irrigation facilities should be available to

him. He should be protected against the import of foreign agricultural produce. If the ryot is not able to pay off his old debts even in spite of all these facilities, other reliefs should be afforded for the conciliation of his debts even as the Madras Legislature has recently passed an Act for that purpose. A periodical adjustment in this way will perhaps be necessary.

Inspection, Supervision and Audit.

Many of you are aware that in Madras and in other parts of India much discussion was going on for a long time and is going on still about the question of the proper agency for the supervision of co-operative societies. But this question need not trouble the societies in the Pudukottah State which number only 125. A financing bank has the inherent right to inspect a society indebted to it. If according to this right the Pudukkottah Central Bank were to take over the supervision of societies no one need be sorry for it. In the United Provinces, the Central Provinces and Bengal, the supervision of societies rested with financing banks from the very begining. In Madras, on the other hand, both the systems—supervision by local unions and by central banks were tried simultaneously, one in certain districts and the other in other districts. But later on, in all districts this function devolved on the supervising unions. Mutual supervision, *i. e.*, supervision by unions, can be effective only under normal conditions. If on account of the world wide depression and other causes, loans in societies have become frozen, mutual supervision would certainly fail. This is what has happened. To make the supervision effective, central banks have now been associated with supervision. Supervision in Madras is now carried on jointly by the unions and the central banks. The recruitment, training, posting and control of supervisors are now with the central banks. They review the diaries and pass orders on the inspection reports of supervisors. But the supervisors work immediately under the direction of the supervising unions. Their diaries and reports go to the central bank through the unions. The latter are thus kept informed of what is being done by the supervisors and they offer suggestions for improving the work of societies. If central banks do so much, where is the need for unions? For the efficient administration of village societies local knowledge and help is essential. The money lent to the villagers can be recovered easily only with their help. Nothing can be done in a village without the help of the villagers. In a certain district in Madras, the central bank urged the abolition of certain unions. It was decided at a conference of the leaders of the district that those unions should be abolished but before they were actually abolished, the central bank requested the retention of the unions, for in the mean-while, it found local help was reluctant to the forthcoming. It has therefore been found by experience that the supervision by the central bank with the help of

the local union is the best type of supervision. It cannot be said that inadequate supervision alone is responsible for the present condition of the movement. In Northern India where the central banks have been in charge of supervision from the very beginning, why is it that the movement is not better than what it is here'? The truth is that the supervising agencies cannot replace the managing agencies of societies. Supervisors cannot manage societies. They can only offer advice, assist in preventing abuse but cannot do the work of panchayats themselves. If panchayats who know their duties and responsibilities deliberately abuse their position, it cannot be effectively prevented. You may close the society for this reason but the mischief is already done. Therefore supervision alone may not bring about the reform necessary in societies. The panchayatdars must realise their duties and responsibilities. The general body of members must realise their responsibilities and make the panchayatdars realise theirs. The panchayatdars should feel that their work is being watched by the general body of members and there is the village public opinion which they should respect. If the general body of members were to have any real control over panchayats, the general level of their education should be raised. Till this happens the greedy panchayatdars will use the societies for their own selfish ends. We find that societies composed of educated members controlling the work of panchayatdars have generally been managed well. We cannot however keep quiet till the general body of members learn their work. As loans had been granted indiscriminately without reference to the repaying capacity and worth of the borrowers, the overdues were increasing year by year and the entire outstanding loans have become overdue in several societies. The central bank which has lent the money cannot afford to keep quiet and it must be given all facilities to recover its dues. Let it take over supervision entirely in its hands for there is no better agency than that at present.

As regards the question of audit it is well to leave the work to the Government, when they have undertaken to do it. For, Government audit increases the confidence of the investing public in the movement. Apart from it, it cannot be denied that it is a sound principle to entrust the work of audit to an independent outsider and when Government undertakes to do it, no objection need be raised. In regard to supervision, it should be left entirely in the hands of societies here in Pudukkottah in charge of the Central bank. When non-official supervising agencies do not do their duty, Government should step in and induce them to do their work. If in spite of that, supervision collapses, Government should take over the supervision themselves.

Co-operative Education.

Members of village societies should thoroughly understand the principles of co-operation if societies are to work successfully. They

should know that there is a difference between borrowing from a sowcar and borrowing from a co-operative society. In a co-operative society persons who are subject to the same disability or difficulty or who are anxious to achieve a common good object join together and try to rid themselves of the difficulty or to achieve the common good purpose. They should be alive to the fact that the other members are likely to be affected adversely if they do not individually discharge their duties properly. Members of monthly chit funds conducted in our country have understood this principle. But members of co-operative societies have not understood it. In a village no person will join a chit fund unless he is sure he can pay the periodical subscription. But in a co-operative society he takes a loan easily. The reason is his ignorance of the principles of co-operation and the limitations of his society. The villager should know the principles upon which the society in his village works and the possible good that it can do for him. The persons in charge of the movement should din these principles into the ears of the members of co-operative societies from time to time. This should be done by the periodical holding of co-operative classes in villages.

It is also necessary that the supervising staff should have adequate training in the principles and practice of co-operation from time to time. You might have known through the newspapers that the Government of India have asked the local Governments to pay attention to this aspect of the matter. I consider that in the present condition of the movement in your State it is necessary to take up the work of co-operative education without loss of time.

The following are some of the resolutions passed at the Conference :—

RESOLUTIONS.

A condolence resolution touching the death of Mr. Radhakrishna Aiyar, Retired Dewan Peishkar, who evinced keen interest in the movement in the State, both during his term of service and even after retirement was adopted.

The conference while thanking the Durbar for the help they had rendered to the co-operative movement prayed them to continue to evince the same sympathetic interest throughout.

The conference opined that the levy of execution fees, if in contemplation, would result in setting up a parallel Civil Court, with its attendant disadvantages, and requested the Durbar not to levy any fees for execution, at any rate for a period of ten years.

The conference urged that it was desirable that a land mortgage bank analogous to one in the Madras presidency be started and that the central bank be asked to approach the Government to take the necessary steps in that direction and that the question be referred to the Agricultural

Relief Committee, appointed by the Government for taking necessary steps.

The organisation of cottage industries on a co-operative basis was urged in another resolution and the conference requested the Durbar to instruct the Rural Development Officer to organise such societies, in suitable areas after his return from training. A resolution was also passed that the practice of imposing penal interest on defaulters, must be discontinued.

To spread the co-operative principles among women, the appointment of two lady honorary organisers was urged by the conference.

FIFTEENTH CENTRAL BANKS' CONFERENCE.

The following are the resolutions passed by the Fifteenth Session of the Central Banks' Conference held on Saturday the 21st and Sunday the 22nd March 1936 in the premises of the Madras Provincial Co-operative Bank, Ltd., with Dewan Bahadur T. A. Ramalingam Chettiar in the chair.

1. This Conference is unanimously of opinion that there was no valid cause for the amendment passed recently to section 43 of the Co-operative Societies Act, sub-section 5 (ii) changing "concurrence of the Provincial Bank" to "consultation with the Bank" and the reasons given therefor are not correct and that the old state of things should be restored.

2. This Conference was surprised at the rules framed by the Government under section 65, empowering the manager or his nominee to represent the superseded bank on the management of the financing bank and requests the Government to delete this provision and provide for the representative to be elected by the general body.

3. This Conference is of opinion that the supersession of the Committee under section 43 does not involve the supersession of the general body and it should be called in the usual course.

4. This Conference is of opinion that in all cases of supersession of central banks the agency to take the place of the Committee shall ordinarily be a council of three or five members nominated by the Registrar.

5. If the societies affiliated to a central bank, whose Committee is superseded, require financial accommodation, it is desirable, in the opinion of this conference, that the provincial bank should finance them direct with the Registrar's permission during the period of supersession, and transfer all such new business to the central bank, as soon as its Committee is restored.

6. This Conference is of opinion that the present policy of the Department in regard to the diversion of substantial portions of the profits earned by the central banks to bad debt reserve is not sound and

that it operates to the prejudice of the societies which are working well and contribute to the profits of the central banks and therefore resolves that where the profits are sufficient to provide a dividend of not less than five per cent, provision should be made for such dividend and the balance alone be diverted to bad debt reserve.

7. This Conference is of opinion that in order to develop loan and sale societies, central banks should be helped to erect godowns in suitable localities where there is scope for development of business and urges on the Madras Provincial Co-operative Bank the desirability of raising long term money by the issue of uncovered debentures, if necessary.

8. This Conference is of opinion that under the present conditions, it is desirable to have uniformity in regard to the method of constitution of the Boards of Central Banks, and therefore, resolves:

(i) that the proportion of individuals to society-representatives on the Board should be 1 : 2;

(ii) that the representatives of individual share-holders should be elected by the individual share-holders themselves at a meeting of their own;

(iii) that the representatives of the societies shall be elected by the general bodies of unions or groups of unions as the case may be.

9. This Conference resolves that the letter dated 20th Dec. 1935 from the Registrar of Co-operative Societies inviting the opinion of the Provincial Bank on the suggestions made by the Joint Registrar in regard to a "Trustee Bank for Clearance of Debts" be circulated to the Central Banks for favour of opinion.

10. In view of the Joint Registrar's assurance that the matter will be looked into, the consideration of the Registrar's Circular D. Dis. A. 1688 36 dated 2nd March 1936 suggesting an amendment to the by-laws of central banks relating to the election of members of the Board of Management be dropped.

11. At present central banks are not assessed to profession-tax on a uniform basis. Some banks are assessed on the net profits and others on the interest earned on certain items of the investments and miscellaneous income such as commission, entrance and transfer fees. It is therefore resolved that a uniform procedure of assessing central banks, only on the interest on securities held by them and miscellaneous income may be recommended to the Local Government.

12. As per recent G. O. on the subject, central banks should not treat the undrawn portion of cash credit granted by the Provincial Bank as fluid resource to meet the liabilities due to the public. It is a great handicap to central banks. Most of the central banks fail to maintain the requisite standard of fluid resource in part A of the statement on account of this restriction. It is therefore resolved to request the Local Government to revise the order contained in G. O. Mis. 1488 dated 29-10-1934.

13. This Conference resolves to request the Imperial Bank of India to grant overdraft accommodation to central banks on the security of the debentures of the Central Land Mortgage Bank.

14. Resolved to request the Local Government to increase the limit of the deposits that central banks may accept from Local Bodies to one-half of the total borrowings. Further resolved that the Registrar be requested to remove the restrictions imposed by him viz., that no fresh investment exceeding Rs. 5,000 be accepted by the central banks without his previous sanction.

15. Resolved that the Government be requested to reduce the audit fees payable by the societies by 25 per cent and that power be given to the Registrar to reduce the amount still further in fit cases.

16. This Conference views with concern the whittling down of the concession of free transfers by narrow interpretation of the rules governing issue of free remittances and requests the Registrar to see that a broad interpretation is given to the rules governing the same.

17. This Conference feels that the Judgment of Cornish J. reported in 70 M. L. J. 31 vitally affects the position of awards in the societies and requests the Government to amend the Co-operative Societies Act suitably.

18. Resolved that in future three meetings of the Board of Management of the Provincial Bank be held every year.

19. In as much as that Rule XVIII of the rules made under the Co-operative Societies Act is mandatory, and the office bearers cease to hold office automatically, the Registrar be requested to register a by-law authorising the financing bank to convene a general body of the society as and when a deadlock in the administration of a society is created.

20. Resolved that where the societies have no dues to financing banks and when the Registrar and the Committee of the financing bank agree, a portion of the share capital may be refunded to societies.

21. Resolved that the Registrar be requested to increase the staff available for non-credit work and distribute their services according to the number of societies and transactions in each area.

22. The Registrar, who is the convener of the Sub-Committee of the Provincial Economic Council dealing with co-operation, has asked the Madras Provincial Co-operative Bank and the Madras Provincial Co-operative Union for their views on Mr. Satyanathan's Report on Agricultural Indebtedness.

This Conference resolves to adopt the memorandum appended hereto (See Appendix) and to communicate the same to the Registrar and the Provincial Economic Council.

APPENDIX

MEMORANDUM
ON
MR. SATYANATHAN'S REPORT ON AGRICULTURAL INDEBTEDNESS.

I. Remedies for Agricultural Indebtedness.

The report of Mr. Satyanathan deals primarily with ' Agricultural Indebtedness" to which the terms of reference mainly relate. The question of the facilities which are now afforded by co-operative societies and land mortgage banks to agriculturists is one which is incidental to the main theme of enquiry. The report is divided into two parts; the first part deals with agricultural debt, its causes and effects and the second part deals with remedies for rural indebtedness. The discussion on the Co-operative movement falls within Part II. It is not necessary to deal with Part I of his report, which is devoted to the ascertainment of the volume of agricultural indebtedness, its causes and effects. He estimates the total debt of the province at Rs. 200 crores and on an investigation conducted in 140 select villages, he arrives at an estimate of the debt per head of population at Rs. 38, per family at Rs. 194, per acre of occupied land at Rs. 63 and per rupee of assessment at Rs. 21. No investigator can claim accuracy for such computation. The Bowley and Robertson Committee's report condemns the computation of national income or debt by the method of multiplying figures collected for typical villages instead of in villages selected by random samples. There are other infirmities in regard to these inferences. Too much is made, for instance, of the theory that " debt follows credit ", though it is incontrovertible fact that dire necessity is a frequent cause of debt and that agriculture is not a profitable business. Again, the Special Officer's assessment of the income per head of population is apt to be questioned by economists on the one hand and by administrators on the other, particularly in respect of the allowance for the cost of cultivation. In regard to factors like the system of money lenders, the malpractices of middlemen, lack of marketing facilities, litigation etc., it is conceded by the Special Officer himself that it is impossible to assess correctly the proportion of indebtedness due to each, even after an elaborate enquiry. It is not necessary for formulating immediate measures for relief of agricultural indebtedness to arrive at exact figures under each of those heads. It is generally conceded, as the officer says, that the volume of indebtedness is heavy and it is mounting up rapidly by the accumulation of high rates of interest in spite of the fact that land is passing from debtor to creditor in satisfaction of his debts. The part of the report which is of more immediate interest to us in Part II which deals with remedies for agricultural indebtedness.

The Special Officer rightly lays emphasis on the need for increasing the earning capacity of the ryot if he is not to relapse into indebtedness as the main line of remedial action. He suggests some steps that the Departments of Agriculture and Industries may take to improve the income of the cultivators. With regard to the Agricultural Department, he suggests *inter alia* the following: (1) An Agricultural Demonstrator for each firka to do propaganda among farmers and to impart agricultural knowledge; (2) Measures for increasing the stock of cattle at the disposal of the farmer; (3) Promotion of subsidiary occupations like poultry and bee-keeping; (4) The transfer of the grant of takkavi loans from the Revenue to the Agricultural Department; (5) Devoting as much attention to marketing as to raising of crops; and (6) The starting of agricultural associations for carrying on propaganda and education and to form societies for collective co-operative farming. In regard to the Department of Industries, he suggests: (1) The grant of full and free permission to exploit all waste products such as those of sugar factories; (2) Exploring possibilities of foreign and home markets and finding outlets for absorbtion of

articles manufactured in India particularly in cottage industries ; (3) the protection of cottage industries particularly handloom weaving, from predatory activities of the middlemen ; (4) Giving precedence to the claims to departmental plants to agriculturists and small scale industrialists, over other interests, in the engineering section of the Department. These and other measures seem to us to be calculated to help the agriculturists and the Government's say on these and other cognate recommendations is eagerly expected by the public.

In dealing with the causes of indebtedness, the Special Officer has touched upon the delicate and vexed question of land revenue and said that on ryotwari land 25 per cent of the net profits in normal years is all that was needed to pay it, while on Zamindari land twice as much is needed, it might not be a major cause of indebtedness in a normal year. In another part of his report he states that land revenue is rather heavy, especially in bad years, but any reduction would mean less money to the Government to spend on the people, as though the ryots are now getting any considerable return for what they pay. These are conclusions which will not be accepted by the people. On the other hand, the general view is that a substantial reduction in the land revenue is urgently called for.

Coming to remedies, on which there is less scope for controversy and which lend themselves to immediate legislative and executive action the most important remedies suggested are: (1) Scaling down and conciliation of debts ; (2) Registration of money-lenders and regulation of money-lenders' accounts ; (3) Amendment of the Usurious Loans Act so as to declare all compound interest on loans to agriculturists as usurious, and to give greater freedom to Civil Courts to relieve debtors from excessive claims for interest ; (4) Amendment of the Civil Procedure Code in order to (i) ensure the application of the section empowering courts to give instalments to debtors with greater frequency and sympathy ; (ii) wipe out personal liability under mortgage decrees ; (iii) postponement of action against sureties until after all remedies against principal debtor are exhausted ; (iv) Prohibiting the decree-holder from purchasing judgment debtor's property except for reasonable value to be fixed by the Court after due enquiry ; and (v) the abolition of civil imprisonment for debt.

The interest in the portion of the report dealing with scaling down and conciliation of debts which is very informing and well argued is now shifted to the debt conciliation Bill of Dewan Bahadur T. A. Ramalingam Chettiar, which has now been passed into law by the Madras Legislative Council and it is perhaps too soon to discuss how far it should be amended. We have now to deal with the Bill as finally passed by the Council and not with the recommendations of Mr. Satyanathan. He himself has no illusions about the lasting efficacy of a debt conciliation measure which can only be a temporary expedient to tide over the difficulties of the depression. We have our own doubts of even the immediate effect of such an innocuous measure which permits a cantankerous set of creditors to resort to courts, with no other risk than that of losing costs even after the Board has given its considered decision. However, as the Government of Madras has come forward with a scheme to lend to agriculturists sums up to Rs. 2,000 at 5½ per cent for 25 years in cases where the debtors are able to come to an understanding with their creditors and as the operations of land mortgage bank are also proposed to be linked up with the operations of debt conciliation boards, it may be hoped that some measure of relief, however small it may be, will be afforded. The Special Officer has not, however, dealt with the part which the co-operative organisations (other than land mortgage banks) can play in working schemes of debt conciliation—an important omission. On the related remedy of protection to agriculturists against the consequences of indebtedness, the Special Officer deals with the question whether there is need for any *Land*

Alienation Act in the Madras Presidency. We are of opinion that he is quite right in holding that there is no need for such Act in this province, where there is no well marked agriculturist class as such. As regards the registration of money-lenders and regulation of moneylenders' accounts, he is for compulsory registration of moneylenders who make a, "regular business" of it though the term, in our view, is a little too vague. He also wants a measure that will compel every creditor to render a full statement of account to each of his debtors, asked or unasked, as in the Punjab. We are in general agreement with these recommendations We are also in agreement with the Special Officer's recommendation for a fuller use of the Usurious Loans Act by the Courts and for the adoption of the rule of *Damdupat* as in Bombay, by which no Court small decree a larger sum than twice the principal sum lent originally. As regards the amendments suggested to the Code of Civil Procedure, they appear to us to be just and reasonable and are calculated to give some measure of relief to the indebted agriculturists.

The Co-operative Movement.

We now come to the chapter on Co-operation. It is on this subject that the Special Officer is least convincing and informing. No new facts or figures have been collected and presented, unlike in other sections. He has relied too much on hear-say evidence and drawn too much from his own imagination. He is frank enough to confess his ignorance of the theory of co-operative credit and the extent of State control over co-operation in other countries. But he seems to lay down the law for co-operators in this country from his very limited experience.

He starts with a historical retrospect of the Movement and deals almost exclusively with the defects that have crept into the Movement during the decade of expansion—1917-1927—and the causes of its failure. The Special Officer makes no mention of the essential elements in the financial structure of the Movement and naturally expresses his wonder that "the Movement has weathered this depression as well as it has done" and says that "it is a matter for congratulation that it has not collapsed." If the Special Officer was of opinion that the Movement achieved a banking miracle or that it was due to a mere accident and good luck of the creditors and depositors that it weathered the financial storm, he was apparently speaking without much knowledge of the manner in which the foundations of the Co-operative Credit Movement were laid, how its superstructure was built, what steps were taken from the very commencement to build up substantial share capital and adequate reserve funds to enable the Movement itself to absorb any possible financial shock, how the volume, sources and interest rates of deposits were regulated, the stringency of the standards prescribed for fluid resources required to be maintained by the financing banks and the strict insistence on those standards being observed, the close relations established between the Central Banks and the Provincial Bank as integral parts of a well knit co-operative organisation, the very strong position occupied by the Provincial Bank as a financing agency and balancing centre for the entire movement and several other essential financial features of the Movement—features to which the credit structure owes its strength and power to withstand the economic shock. The report bears ample evidence of absence of knowledge on the part of the Special officer of these and many other financial features of the Co-operative Credit Movement in this province.

Two Fundamental Reforms.

The Officer is out for a drastic reform of the Movement and his fundamental recommendations in this connection are twofold. *Firstly*, the elected non-officials who manage the financing institutions should be representatives and mouth-pieces

of the section of the public who furnish the credit, i.e., of the creditors and depositors. *Secondly*, the entire work of supervision of societies should be immediately transferred to the Co-operative Department, the Registrar being vested with the sole power to appoint and dismiss supervisors. In another connection, he also says that the Registrar should have power to dismiss members and officers of the societies, whom he comprehensively calls "men." These two measures, according to him, will attract not only "honest and upright men who are now hanging back" but also "a great volume of money." The Special Officer evidently thinks that honest and upright men and money are not coming into the movement, because it is not subjected to control at the financial end by the creditors and investors and at the supervision end by the Government. It is hardly worthwhile taking any serious notice of these recommendations, for they are so radically opposed to the very fundamentals of co-operation. A movement controlled by money-lenders at one end and by the Government at the other has absolutely no claim to be called a Co-operative Movement.

The Special Officer is evidently of opinion that supervising unions should be abolished. He does not show any acquaintance with the history of the supervising unions or the district federations in this province. He says that the supervision of primary societies has been relegated to non-officials fifteen years ago and that their subsequent history is "nothing but a tale of woe.' He does not say in whose hands the supervision was before it was so relegated to non-officials and how it fared in the hands of those who held it originally. A perusal of the evidence given before the Townsend Committee shows the circumstances under which the Department in whose hands supervision was till then, shifted it on to non-officials. Non-official co-operators have not been unmindful of the virtual breakdown of the supervisory agency in some localities and its extreme weakness in other localities, while in certain areas the supervising unions have been and are working well. The question was seriously dealt with at several conferences and gatherings of co-operators with a view to formulate remedial measures. The Provincial Co-operative Union and the 21st Madras Provincial Co-operative Conference dealt with the question fully. As a result of these numerous deliberations, the following measures of reform had been adopted. (i) Where the Unions and Federations are working properly it was decided to help and encourage them to grow stronger. (ii) Where they were very weak and not functioning properly, it was resolved that steps should be taken to liquidate lifeless ones and to amalgamate the smaller ones into larger ones and to reduce the size of the governing bodies of unions to effect retrenchment and find adequate financial resources for the reduced number of unions. (iii) In areas where there was utter breakdown of the supervising unions, it was decided that the financing banks should take up supervision and should have the power of appointing and controlling the work of the supervisors. These measures are being worked with varying degrees of success in the several parts of the province and non-official co-operators who have been trying to do their best are watching the result of these measures and are fully alive to the necessity to review them from time to time and to modify their policy in accordance with the requirements of the situation.

We are, therefore, unable to agree with the recommendation of the Special Officer that the entire supervision should be transferred to the department. We not only consider that such a step would be extremely inadvisable but are also of opinion that it would not result in any improvement. The Special Officer's recommendation, we are inclined to think, is the result of want of adequate knowledge on his part of the conditions obtaining in this province of the working of the system as a whole. There is something radically wrong with the Special Officer's perspective in regard to the part which non-officials play in the Movement.

The nature of the Special Officer's special pleading for officialising the Movement can be judged from the following problem he propounds to himself. "I would like to see what those non-officials who are *always hungering* for more control would say if the Government suddenly lost all interest in the Movement and decides to withdraw completely." No non-official advocate of de-officialisation ever asked, to our knowledge, that the Government should abandon its interest either suddenly or gradually or to give up its concern and responsibility for the movement by withdrawing from it completely. The Officer however, does not wait for an answer from the readers of his report to his hypothetical question, but hastens to furnish it himself in the very next sentence by saying that "if this were done, the Movement would most assuredly degenerate into chaos and early collapse." So would every other department of State if the Government abandons its interest in it and withdraws its concern and responsibility for its administration.

Change in the Law and Rules.

After setting out the various defects in the working of the co-operative credit societies, the Special Officer recommends certain changes in the law and rules. He recommends that every society should be statutorily compelled to hang up its audited balance sheet in three places, namely, *its premises*, at the *village chavadi* and at the *village Post Office* so that it may be open to public inspection. Another change in the law which he wants is that no individual should be entitled to hold office in more than one co-operative society of a *similar* or *connected* kind at any one time. He then proceeds to recommend the following additional powers be given to the Registrar. (1) Surcharge orders should be capable of being issued even in respect of irregular expenditure of funds or negligence for time barred debts or loss of decrees and bonds; (2) Wilful disobedience of the Act and of bye-laws should in addition to being an offence under the present law for which an offender may be prosecuted and punished by a Magistrate be also made punishable by imposition of penalty by the Registrar himself after enquiry; (3) The Registrar should have powers, under section 15 of the Act, to convene a valid meeting *even without a quorum*, and (4) The Registrar should be given powers under the Act to remove undesirable men after proper enquiry by "men" he means evidently both members and officers.

There may be no objection to the innocuous recommendation about balance sheets of societies being hung up in three different places in the same village. But such publicity is not likely to improve the working of village societies in any way The recommendation that no person should hold office in more than one society of a similar or connected kind is both objectionable and unworkable. It is not clear what is meant by "societies of a connected kind." In a financial chain, the primary societies, supervising unions, Central Banks and the Provincial Bank are connected links. If, for instance, the President or a member of a village society panchayat or of a supervising union is returned to the Central Bank as its representative, one would think that he would be *prima facie* a fit and proper person to become the President or a Director of the Central Bank. So would be a representative of a Central Bank in the Provincial Bank. The rule that one man should not become a member of more than one credit society and borrow therefrom has no analogy to a person holding honorary offices in a chain of financial organisations. If the Officer's view is that a representative of a *borrowing* society should not hold office in a *financing* bank or *supervising* union, it cuts at the very root of the principles that in a co-operative credit organisation, the borrower and the lender are blended into one and that supervision which is internal is the ideal to be aimed at.

As regards the proposed additional powers to the Registrar, they will not only not help the Movement but will entirely alter the character of the Registrar, in whom the ultimate control of the Movement is vested as the "friend, philosopher and

guide," into a criminal investigator, a prosecutor and a magistrate—a most embarrassing position which no Registrar will accept. Instead of honest and upright non-officials emerging from their present seclusion and rushing into the Movement immediately such powers are given to the Registrar, the few such men who are in the movement will retire from it in order to preserve their self-respect and take to some other public activity in a more congenial non-official atmosphere.

Intermediate Financing Agencies.

The Special Officer's plea for reducing rates of interest and making credit available to members at as cheap rate of interest as possible will be universally accepted. In dealing with the need to reduce the rate of interest, the Special Officer says that the present high rates of interest prevailing in the co-operative movement are due to "the number of middle-men institutions between the primary societies and the Central Bank of Madras", by which he apparently means the Madras Provincial Co-operative Bank, and to absence of adequate and effective supervision of societies. He proceeds to say that "if primary societies are properly supervised, they are likely to *attract deposits direct* which will enable the societies to lend at much lower rates of interest than at present." Whether this idea is that the Central Banks and the Provincial Bank should be abolished is not very clear. Apparently, he is of that opinion. We think that it is a very unsound view to take. The Co-operative Credit structure in this province is essentially a federation structure. The primary credit societies by being federated into Central Banks derived considerable financial strength and so did the Central Banks by being federated into the Provincial Co-operative Bank. If the Special Officer recommends the reversal of this policy, we are unable to agree with him.

In regard to the functions of the Provincial Bank in the movement, the question whether it should operate through branches as is partly done in Bombay, or whether the Central Banks or regional Banks should be independent units, which are linked up with the Provincial Bank, as integral parts of a co-operative credit structure, did engage the attention of co-operators at one time and the co-operative opinion of this province favoured the latter course. The advantage of having independent central or regional banks is that local capital and spare wealth of rural investors can be more easily tapped and utilised locally. The Provincial Co-operative Bank must aim at attaining the position more of a balancing centre than a financing agency to Central Banks. When Central Banks are able to attract their own local capital and do not borrow from the Provincial Bank, as is largely the case to-day it must be said that those banks have taken their rightful place in the Co-operative Credit Movement. It is this ideal that should be aimed at by the Provincial Bank and its affiliated Central Banks. The expectation of the Special Officer, that in the wake of the supervision of the primary societies being transferred to the Co-operative Department, deposits will follow into the primary societies seems to be wholly illusory, and is not founded on any knowledge of local conditions or the realities of co-operative rural credit. We are unable to agree with the view that the higher rates now demanded by depositors are due to want of adequate and effective supervision and that the public will be eager to invest their money at lower rates of interest, if supervision is transferred to the Department.

The question whether the Madras Provincial Co-operative Bank itself can effectively serve the whole province or whether there is need for two Provincial Co-operative Banks, one for the Telugu Districts and one for the Tamil Districts, was the subject of discussion at a recent Andhra Provincial Co-operative Conference ; and that Conference expressed the opinion that the interests of the Movement would be better served if a separate Provincial Bank was organised for the

Telugu Districts with its headquarters also at Madras. Co-operative opinion on this question has to be further ascertained, specially of the co-operative banks in the Southern Districts before our final conclusion is formed.

Overdues, Arbitration and Execution.

The Special Officer dealing with the problem of overdues says that "if only societies accept repayment in kind the overdues will rapidly decrease." He himself points out that for doing so, ample warehouse accommodation and up to date information of current prices are necessary. He says that the societies must accept repayment in kind at current market prices, charging a small commission for selling and immediately sell the produce and convert it into money. We consider this as an impracticable and unbusiness like suggestion and will be unworkable in many localities. Even for the development of loan and sale societies and co-operative marketing on a humble scale, there have not been adequate facilities and the whole problem is found to bristle with difficulties. To convert every credit society into a granary for storing the produce measured out by its debtors in discharge of the loans or into a commission shop for selling it, is simply an impossible feet. Moreover the price of staple food crops often fluctuate so rapidly that the societies will be forced to speculate very largely in prices, if they adopt the suggestions made by special officer. Some of the Provincial Banking Enquiry Committees have narrated the sad experience of societies which attempted it. We have no hesitation in rejecting this proposal.

The Special Officer makes the following recommendations in regard to existing co-operative debts ; (1) Only instalment decrees should be passed as far as possible, and where a default has been committed in respect of a few instalments, decree should be passed only in respect of such defaulted instalments, though the society could obtain under the contract a decree for the entire outstanding debt ; (2) Penal interest should not be levied except *as a last resort*. (It is not clear ; what "last resort" means) ; (3) The Registrar should have power to extend the existing loans in societies for a period of three years. We are unable to agree with any of these three suggestions. They constitute an undue infringement of the rights of the societies to recover their debts. If the Registrar should go on extending the period of the loans due by members to the societies, what is the central bank which finances the society to do and what is the Provincial Bank which finances the Central Bank to do? The depositors in these institutions will have to be repaid from collections in societies and if the Registrar acts independently of these banks and gives extensions, how are collections to come in time to enable the financing banks to repay their depositors and creditors. The Registrar must make himself responsible to help the financing banks out of the difficulty created by his extensions. The whole scheme is so ill-conceived and opposed to ordinary principles of banking, that it does not require any serious discussion.

The Special Officer then suggests that the law of limitation should not apply to co-operative debts and gives some reasons. We are unable to agree with his recommendation or his reasons. There is no particular reason why a co-operative debtor should be placed in a worse position than other classes of debtors in regard to his debt obligations and why a co-operative debt should be kept alive indefinitely. The main reason given by the Special Officer is that "unscrupulous panchayatdars deliberately allow quite a large proportion of loan cases to become time-barred." The remedy for this is not to penalise the debtor but to prevent unscrupulous panchayatdars getting into office.

Loan and Sale Societies.

The Special Officer's recommendations in favour of a large programme of building warehouses and developing co-operative credit on the security of agricultural

produce and controlled credit (by which he means the integration of co-operative credit with production on one side and sale on the other) are non-controversial and will undoubtedly prove beneficial if worked out. It is however doubtful if the Government themselves will undertake the building of warehouses and renting them out as suggested by the Officer. There is of course no objection to such a course; but for the Government to embark on such a large building programme, the huge machinery of the Public Works Department has to be set in motion and the Finance Department has to be induced to provide funds. The suggestion that the grant made by the Government of India for rural uplift schemes should be diverted to building of warehouses is in our opinion not a right move. The Central Banks and the Loan and Sale Societies may perhaps be in a better position to build warehouses at a cheaper cost and also to do it more quickly, if long term finance is forthcoming from the Government or any other source. To the extent such finance may not be forthcoming from the Government, the Madras Provincial Co-operative Bank may raise long term money by issue of debentures and make it available to the Central Banks or loan and sale societies for building warehouses at a rate of interest not exceeding five per cent.

For the success of loan and sale societies, it will be necessary for them to enter into the business much on the same lines as middlemen now do. It will not do for them to wait for the members to bring their produce and only to sell it when it comes. Like those who are now engaged in our internal trade and the movement and marketing of crops, they must send out their staff and agents into the villages to gather the produce and to bring it to the marketing centres and if necessary to make advances to the villagers against the produce and crops. In order to do so, they must command adequate financial resources. Wherever the Central Banks themselves recommend, the Provincial Bank may directly finance Loan and Sale Societies.

Co-operative Training and Education.

The Special Officer has not much to say on this subject. Co operative opinion in this province has definitely expressed itself in favour of education and training being entrusted to a non-official agency. The Department is not the proper agency for imparting training and education, if it is to bear any fruit at all. The views of the Madras Provincial Co-operative Union on the subject are already before the Local Government, and it is not necessary to dilate on this subject now.

Land Mortgage Banks.

We do not propose to deal with the portion of the Special Officer's report dealing with the land mortgage banks, as the Madras Co-operative Central Land Mortgage Bank would have done it.

General.

The Special Officer's views on the "Need for a progressive policy" and "Co-ordinated and planned action" are largely of a non-controversial nature and indicate the ideals which the Movement should aim at attaining. They do not call for any special remarks. Their adaptability in practice will largely depend upon local conditions and other circumstances.

The nature and extent of State aid to Agricultural Development, the need for the establishment of an Agricultural Credit Section to the Reserve Bank and to link up indigenous bankers with the banking system of the country and other items of a progressive and effective agrarian policy have so often been pressed on the Government that they do not need a recital here.

Government's Review on the Registrar's Report.

The Government of Madras made the following observations on the working of the Co-operative Department for 1934-35.

The season this year was more favourable than the last and there are not wanting signs, such as a slight rise in the price of paddy and other commodities and a slight improvement in borrowings by societies, of the gradual disappearance of the economic depression. But the agricultural classes continue to suffer from the after-effects of the depression. The general reduction in the rate of interest charged on loans and a complete waiver of penal interest are measures intended to assist in the recovery, but it woud be unreasonable to expect the Co-operative movement, in spite of the best efforts of the officers of the Department and the non-officials concerned with the movement in reforming and consolidating the societies to react with anything like sensitive suddenness to the gradually improving economic conditions.

Increase in Working Capital.

The working capital of societies increased during the year from Rs. 1,632'05 lakhs to Rs. 1,671'84 lakhs and there was also an increase in their transactions. There was, at the same time, a noticeable fall in the percentage of balance to demand in the case of both principal and current interest in the dues of agricultural societies. The following statement sets out the position :—

Percentage of balance to demand in	Central Banks.		Agricultural Societies.		Non-agricultural societies.	
	1933-34.	1934-35.	1933-34.	1934-35.	1933-34.	1934-35.
Principal ...	53·86	56·91	70·28	68·12	23·14	22·72
Current Interest ...	12·41	11·81	63·81	58·69	23·35	24·20
Arrear interest ...	48·16	50·96	70·38	72·20	50·73	56·48

Reduction in rate of Interest.

The continued easy condition of the money market has enabled central banks to reduce the rate of interest charged on loans to societies and, in their turn, the societies have reduced the rate of interest on loans to members. In order to stimulate repayment, the societies continued to grant, in the year under report, concessions to agricultural borrowers in the shape of a reduction of interest on outstanding loans and a waiver of penal interest in certain circumstances. An amount of Rs. 75,000 under penal interest was waived by societies in 1934-35. The Registrar

has advised the societies to continue the concessions during 1935-36 and it is hoped that there will be a further fall in the percentage of balance to demand in the dues of the agricultural societies and central banks.

All the central banks, except the Madras District Bank, have adopted the Registrar's scheme for the examination of individual loans in affiliated societies, with the result that, at the end of the year, additional securities had been obtained in respect of loans amounting to Rs. 14·08 lakhs which were ill-secured. There is yet a third of the total amount of loans advanced by societies which remains ill-secured, and it is to be hoped that the societies will not relax their efforts until every loan is replaced on a secure basis. Under the scheme of subvention by the Provincial Bank for the rectification of societies, the non-official staff was able to reduce overdues in 1,034 bad societies to below 40 per cent.

A satisfactory feature of the year under report was that central banks increased their loan transactions from Rs. 84·77 lakhs to Rs. 102·07 lakhs. Further, the surplus funds of central banks were still further reduced to Rs. 26·36 lakhs and, on the recommendation of the Registrar, the Government have agreed to relax the restrictions on the deposits of funds of local bodies in respect of those banks which have no surpluses. All the central banks, except the Madras Christian Central Bank, worked at a profit during the year. The fall in the total net profit from Rs. 4·43 lakhs to Rs. 4·21 lakhs is attributed to the policy pursued in recent years of making adequate provision for bad and doubtful debts. The bad debt reserve rose from Rs. 10 lakhs to Rs. 13·89 lakhs.

Registration of new Societies.

The fact that only 100 societies were registered during the year as against 140 in the previous year is accounted for by the fact that the registration of new societies is now made with greater care and only after full and detailed inquiries into the prospects of the societies working satisfactorily. The registration of fewer societies was cancelled during the year, this step having been resorted to only after exhausting all possible methods of reforming them, viz., supersession of committees and appointment of agents for the management of societies. The Government agree with the Registrar that these measures constitute a satisfactory middle course between suspended animation and liquidation.

In the transactions of agricultural non-credit societies there was a very appreciable increase. The purchase and sale societies bought goods to the value of Rs. 3,69,444 and sold goods for Rs. 17,03,884 as against Rs. 2,95,227 and Rs. 4,69,486 respectively in the previous year. The Government have been providing staff wherever necessary for the supervision of this class of societies in their initial stages, and look forward to a considerable improvement in the condition of agriculturists through the efforts of these societies in the marketing of their produce.

Land Mortgage Banks.

There was further progress in the transactions of the Central Land Mortgage Bank. It issued, during the year, debentures to the extent of Rs. 28,72,800 against Rs. 24,79,500 in 1933-34. In accordance with its policy of converting high interest bearing debentures into ones carrying a lower rate of interest, the bank converted debentures of a total value of Rs. 10,83,200 and the benefit of the reduction in the rate of interest on debentures was passed on to the ultimate borrowers in the primary banks. Funds are now made available to them at 6 per cent interest. The working of the primary land mortgage banks also showed an improvement, and the utility of these institutions in the redemption of prior debts is being increasingly realized by agriculturists. Twelve new banks were registered during the year and there are now banks in all the districts of the Presidency, except Chittoor, South Kanara, Malabar and the Nilgiris. During the year, the banks granted loans to the extent of Rs. 20.57 lakhs as against Rs. 14.78 lakhs in the preceding years. Thirty-eight banks made a profit of Rs. 32,942 and the rest incurred a loss of Rs. 17,067 during the year against a profit of Rs. 12,833 made by some banks and a loss of Rs. 24,089 incurred by others in the year previous. There was an improvement in the collections made by the banks from members, the percentage of arrears under principal and interest at the end of the year being 36.89 and 6.51 respectively against 47.68 and 12.84. The Government note with interest that these banks have already been taking steps to compound informally the debts of their members with their creditors, and that in 143 cases a total original debt standing at Rs. 3,68,889 was scaled down by Rs. 38,191 before the banks discharged it completely.

The working of weavers' societies, however, cannot be said to be satisfactory. The profits earned by some of these societies fell from Rs. 5,057 to Rs. 924 and the losses incurred by others increased from Rs. 2,409 to Rs. 4,075. It is reported that these societies are finding it difficult to compete with mill products. The Government trust that the starting of the Provincial Handloom Co-operative Society financed from the grant given by the Government of India for the improvement of the handloom weaving industry will result in an amelioration of the condition of the weavers' societies.

The scheme for a comprehensive training of departmental and non-official staff and for the education of panchayatdars and members of societies, referred to in the report, has since been sent to the Government of India for approval.

Recent Utterances.

His Excellency Sir Hyde Gowan, the Governor of Central Provinces and Berar, at the Budget session of the C. P. Legislative Council which commenced on the 20th February last, made a survey of the various measures taken by the Government in tackling the agricultural problem and the following are extracts from his speech on the occasion.

Debt Redemption Schemes.

When I addressed you last year I tried to give you some account of the measures which we were taking to cope with the three aspects of our agricultural problem, the diminution of existing debt, the provision of means for the liquidation of what remains and the prevention of further indebtedness; and my first task to-day must be to render to you a brief account of what we have been able to achieve. Once again fortune has frowned on us; the cotton crop has been below normal for the fourteenth year in succession, and the wheat crop for the tenth. What we have done, therefore, we have done in the teeth of a fate which could hardly have been more unrelenting.

Debt Conciliation.

All who have had to deal with the first part of our problem have kept clearly before themselves one fact—that we were sailing in uncharted seas, and that we must, therefore, take careful soundings as we go, lest our good ship founder on unseen rocks. And what has been the result of those soundings? The time has come, I think, when we may say with some measure of confidence that we are set on a fair course, and that if the watch is vigilant and the helmsman steady of hand there is no reason why we should not sail on without fear into the dawn. By the end of the last revenue year, 11 Conciliation Boards had dealt with no fewer than 11,330 applications, involving debts of Rs. 144½ lakhs, of which Rs. 61½ lakhs, or 42 per cent, had been remitted. You may say, of course, that most of the latter sum was in effect a paper debt, and never could nor would have been recovered. But whether that be true or not, the fact remains that the debt was there, a millstone round the raiyat's neck, and that when a man is carrying a millstone of 100 lbs. in weight and some one knocks 42 lbs. off it, his heart will be lightened, just as his body is. Recently, we have received a donation from the Government of India which enables us to start five more Boards, and the keen demand for a Board from almost every part of the Province is proof positive that, whatever may be the verdict of the future on our experiment, its present

effect has been to bring relief and fresh hope to the countryside. It was inevitable that the practical working of the Act should reveal defects, and these we are endeavouring to put right as they become plain; but its main structure, which is a combination of voluntary effort with the imposition of a discount on those who stand aloof, has come through its first year's test as well as we could have expected.

Land Mortgage Banks.

Next comes the provision of means for repayment of debt. Ten Land Mortgage Banks have now been established, and Government has guaranteed the principal of their debentures up to a limit of 50 lakhs, and has also guaranteed the interest on them. But here a curious situation seems likely to arise. There is no dearth of applications for loans. There is a certain class of debtor who will swim in shoals after the bait of a loan at 7 per cent, but unfortunately he is not the class which a Bank dealing with Government guaranteed capital wishes to attract. The class which it wants to attract is the class which can be relied on to pay its instalments on the due dates; and here the warning which I uttered last year seems likely to come true. What is happening is this: the Bank says, "We will charge you 7 per cent, but you must pay on the nail." The banya says, "9 per cent, and you may pay when convenient." In the mind of the debtor the small saving of interest is not big enough to outweigh the extra strictness, and he goes to the banya. Up to the end of December, the Provincial Bank had only received for sanction from the local banks 71 applications, totalling just under a lakh of rupees. It would, however, be both premature and unduly pessimistic to say that this part of our efforts has not been successful. If the Banks do nothing else, the mere knowledge that they are ready to give loans at 7 per cent keeps down the general rate of interest for solvent debtors; in the area of one Bank, in fact, we know that it has already caused the money-lenders to reduce their rate for mortgage-loans to 7 per cent. And there is another point which seems to emerge from our scrutiny of what is going on. The oft-expressed fear that the working of the Conciliation Boards would dry up the sources of agricultural credit has not been borne out by experience. In a country where the share of the fowler, in the person of the village banya, is spread far too wide, such curtailment of his activities as has occurred in practice need cause no anxiety.

Sale of Land.

In dealing with the redemption of debt by the sale of land, the very careful enquiries which we set on foot have had one definite result. An analysis of the figures for a large number of sales has made it abundantly clear that, when abnormalities have been discarded, and the real selling value has been calculated there is no foundation for the oft-repeated complaint that that value has fallen to a disastrously low figure. Replies received from revenue officers in all parts of the province, and especially

from the Court of Wards and Land Acquisition officers, have shown that with rare exceptions the value of villages is far in excess of any figure at which Government could afford to enter the market. On this point, therefore, our minds can be set at rest, and I hope that we shall hear no more of the complaint. The return of normal prices after a boom is always unpleasant from the vendor's point of view, but to the community at large it is a sign of running health. At the same time special instructions have been issued to the staff which deals with enforced sales of land—what we call Collector's cases—to ensure that valuations are made properly; and it is hoped that these instructions will secure the postponement of sale whenever possible, and when that is not possible will ensure that the debtor gets the best price which can be obtained. Measures have also been taken, in view of the overwhelming volume of this work to strengthen the staff. If any of you wish to criticise the nature of those measures, I hope that you will bear in mind the great difficulty of the task, and how important it is for the sake of those of your friends who are in trouble that there should be no unreasonable delay nor bungling about its performance.

Prevention of Debt.

We come now to the third part of our problem, the prevention of debt. If you agree with me—and no one has yet told me that I am wrong—in saying that the root causes of debt are neither heavy rents and revenue nor bad harvests but thriftlessness, ignorance, and the burden of ceremonial observances, then we shall all realise that our task is not of a day but of a generation at least. While our finances are in their present crippled condition, it is difficult to make an effective start on the work of adapting education to meet rural needs. We have, however, done something. Agriculture is now being taught in eight selected middle schools; civics, gardening, and the elementary science of plant life has been included in the Normal School syllabus; and we are trying out an experimental syllabus for rural children in primary schools which includes the teaching of citizenship, village handicrafts, and common village tasks like the measuring of land and the weighing of grain. Of more immediate benefit is the action which we have taken to ensure that the cultivator gets proper value for his crops by adapting the provisions of the Cotton Markets Act to all agricultural markets, so as to put a stop to some of the blatant malpractices by which he is cheated at present. We have also appointed a special marketing staff, which is engaged at the moment on intensive surveys for the marketing of fruit, grain, and live-stock. Thanks to a generous and most welcome grant of 5 lakhs from the Government of India—the first real spare cash which we have seen in this province for many years—we have been able not only to bring many amenities to villages, such as roads and water-supply, but also to make a start on various experiments in rural reconstruction.

The following are extracts from a speech delivered by Mr. K. Subrahmanyam, M.A., Deputy Registrar of Co-operative Societies, Madras, at the annual meeting of the Nungambakam Co-operators' League on 23-2-1936:

Store Societies vs. Buying Clubs.

I must, however, make here a few observations on some practical aspects of the working, particularly the purchasing policy of these store societies and of your Buying Club. Some of these store societies have been getting their requirements generally from wholesale merchants or through their own agents appointed in the centres of production, as in the case of the Triplicane Stores. For instance, let us take rice. Rice is at present mostly obtained from Nellore. What I suggest is that instead of dealing with the merchants engaged in this trade, will it not be much better to obtain the rice through a society composed of producers so that the profits which now go to the wholesale merchants or to other middlemen may be retained with the agriculturists who cultivate paddy? If all big store societies place orders with the Paddy Sale Society, it will have enough business to meet the expenses connected with management and supervision. A sufficient volume of business is what is necessary. Similarly for butter or ghee. At present large quantities of butter are got from Guntur or Kistna Districts. Will it not be much better to form producers' associations in important centres in each district and to obtain the required quantities of butter or ghee from co-operative associations formed of producers rather than get the supplies from middlemen or agents? Such close contact with producers and the offer of reasonable prices for their produce will prove to be in course of time of sufficient attraction to them to improve quality and will help eventually in grading the produce.

Most of you may be aware that the Co-operative Department has recently started some co-operative sugar factories in the northern districts of the Presidency and of these, the Vuyyur Sugar Society is the biggest. It has begun to produce and put on the market large quantities of sugar. Will it not be better, I repeat, that we through our consumers' organisations get our supplies of sugar from the Vuyyur Sugar Factory on certain agreed terms instead of purchasing it from any wholesale dealer? Our internal market is large enough for the sale of our staple food-stuffs and if the store societies establish some intimate relationship between themselves and co-operative producers' associations, it will indeed be to the mutual advantage of consumers and producers. It is possible, though I am conscious that it is difficult to bring co-operative associations of producers and consumers together by patient and persistent educative propaganda and effort and bridge the large gap between producers and consumers which is characteristic of the present economic organisation.

Milk Propaganda.

As consumers we are very intimately connected with the supply of milk in the City. You will all admit without much argument that our

milk supplies are not as pure as we expect them to be. Unclean milk produces a good many diseases among which are included tuberculosis, typhoid and other kinds of fevers. We have not got statistics to show what harm is being done by the supply of impure milk to the people in the City. Sample surveys made in various parts of England have shown that some 2 per cent to 13 per cent of the raw milk supplied (with an average of 6.7 per cent) contains tubercle bacilli and that at least 40 per cent of a British cattle population of nearly 8 millions is still infected with bovine tuberculosis. The position in our country may certainly be worse. There are 3 separate lines of approach to the problem. The first is the prevention of deliberate adulteration of milk; the second is the effective treatment of raw milk to destroy the bacteria of diseases and the third is the eradication of tubercular cattle. An attempt has been made by the department, as you all know, through the organisation of Milk Supply Societies consisting of milkmen in the villages in the neighbourhood of Madras and through federating them into a Milk Supply Union at Madras. The Union gets the animals milked under sanitary conditions and supplies unadulterated milk at reasonable prices. The Union proposes to erect a pasturising plant. It is desirable for associations like your League to put yourselves in touch with the Madras Milk Supply Union and to arrange to get as pure and unadulturated milk as possible through the depots of the Union. If there be enough demand, the Union may erect cattle sheds and arrange for the supply of milk to the members of the League. Incidentally I suggest that your League may carry a 'Drink More Milk' propaganda. As you all know, milk contains proteins, carbohydrates, mineral salts and vitamins and is rich is fat, and as has been well said, the greatest nutritional need of India at the present time is the production of more and purer milk, for, there is no more important foodstuff than this and none on which public health is more dependant.

Building Societies.

The second human need is shelter and for the large body of urban dwellers housing presents many problems. You are undoubtedly aware that the Government through the Co-operative Department has done a good deal to help the middle classes to construct houses of their own by giving them State loans at a reasonable rate of interest for long periods extending to 20 years. You will notice when you go round the new extensions in the City abundant evidence of this great help rendered by Government. The methods of construction of houses have made great advance in recent years and the middle and professional classes in urban areas should take advantage of these and construct houses on more sanitary and up-to-date lines. I am sure your League will have as one of its objects the development, amongst your members, of an attitude which favours the co-operative housing enterprise which is full of economic

and social advantage. It should be your endeavour to educate your members to ascertain the relative advantages of owned and rented houses, to understand and apply the relationship between income and home-ownership, to show that home-ownership improves living conditions and to make known the costs of the chief types of houses and to make members familiar with the opportunities the co-operative house building societies offer for lending money for construction of houses.

In this connection let me tell you a recent development of co-operative activity which is calculated to promote with private support and encouragement the execution of co-operative housing schemes. I refer to the organisation and the starting of a co-operative labour society, which has the fortune of having Nungambakkam as its headquarters. It consists of workers who are competent to construct houses on approved lines and estimates. It has on is board men of business experience and one of them has ample knowledge of house construction. It will be to the advantage both of the workers and of the would be owners of houses that they utilised the services of the co-operative labour society—which I would prefer to call a Co-operative Building Guild.

Weavers' Societies.

Lastly, I would like to refer to our other essential need as consumers —clothing. A good deal has been done in the past to promote on co-operative lines weavers' societies in the Presidency but with the notable exceptions of societies like the Salem Weavers Co-operative Society or the Coimbatore Devanga Weavers' Society others did not work as well as one expected. The Government of India and the local Government have however taken steps to improve the handloom Industry in the country. The Government of India have given a subsidy to the local Government for the promotion of this industry. A Co-operative Provincial Handloom Weavers' Society was started and it has on its roll a number of weaver societies formed and working in important centres in the presidency. The Provincial Weavers' Society has appointed a marketing officer and a number of supervisors to guide and supervise and facilitate the marketing of the cloth prepared by the weaver members of primary societies in the presidency. One of the difficulties of weaver societies in the earlier years was marketing. The Provincial Society supplies yarn to primary production societies and takes the cloth prepared by the members of these societies and puts them in the market for sale. In other words the Provincial Societies attempts to bring the weavers into closer touch with the consumers. Your buying club and the other store societies in the City and elsewhere may interest themselves in this activity of the Provincial Society and try to supply to different varieties of cloth required by the members, acting as the agent of the Provincial Society. You need not take any risks attendant on the purchase and

stocking of the clothes. You may enter into some agreement with the Provincial Society, take the cloth you require from time to time and sell them to the members and settle the accounts once a month returning to the Provincial Society the cloth not required or disposed of by your buying club or the stores. You have cloth there to suit different tastes. While on the one side you satisfy the requirements of consumers, on the other you will be encouraging the handloom industry and helping the poor weaving community scattered all over the presidency.

* * *

In moving the Resolution No. 6 of the 15th session of the Central Bank's Conference Mr. V. Ramadas Pantulu said:—

BAD DEBT RESERVE.

The policy of strengthening the position of co-operative credit societies and central banks in regard to their ability to meet bad debts, especially at this stage of the Movement, is undoubtedly wise and sound. But it should be so worked as not to operate prejudicially to the interests of good societies. It must be realised that when a large proportion of the profits earned by a bank is made unavailable for distribution as dividend, the good societies which have contributed to the profits are penalised along with the bad societies which necessitated the curtailment of dividend. Good societies which are thus penalised may soon pass into the ranks of loss societies. If the societies which work well and earn the profits which a central bank declares and the individual share-holders who are not responsible for the bad working of the societies are thus penalised and dividend on the share capital paid by them is either wholly denied or cut down to a very small percentage, the incentive for good working and expansion of the Movement will gradually diminish. The policy of building up bad debt reserve must be pursued with a certain amount of circumspection and with due regard to the interests of good members. I think the time has now come in the light of experience gained in the last few years to lay down definite rules about the diversion of profits towards bad debt reserves and not leave too much to individual discretion of the local authorities. In commercial banks and business houses a certain percentage of the outstanding loans is set apart for meeting bad debts. It is desirable to examine the question whether a similar practice can be followed by co-operative banks. In any case, there is need for a rule that diversion to bad debt reserves from the net profits should be made only after allowing a reasonable dividend, say five or six per cent on the share capital of the members, whenever profits earned permit dividend being given to that extent, except when there are strong reasons to adopt a different course. I am aware that this is being done now by the auditing authorities of central banks and wherever possible a dividend of at least five per cent is allowed to be given, but not always. I have found instances where the caution is carried to an excessive degree.

Another question that may have to be examined in this connection is whether we should not discriminate between the societies working at a profit and which contribute towards the profits of the central bank and those which have worked at a loss and have not so contributed to the profits of the central bank. *Prima facie*, there does not seem to be any objection to such discrimination. But the way in which it has to be done may require careful examination. Again, the question whether diversion of profits to bad debt reserves so as to cut down the dividend is or is not necessary in cases where the statutory reserve fund of a central bank is fairly large in relation to its estimated bad debts or forms a substantial proportion

of the borrowed capital of the bank has also to be considered. In one bank, which I have seen and which has a statutory reserve fund of about Rs. 4 lakhs, a further sum of about Rs. 60,000 has been again accumulated in the bad debt reserve. An examination of the bad and doubtful debts made by the auditing authorities shows that they are nowhere near the figure of Rs. 4 lakhs. In such cases, while there may be no objection to bad debt reserves being strengthened annually by a reasonable portion of the profits being diverted to those reserves after a reasonable dividend has been declared, the question whether there should be a diversion compulsorily, sacrificing the dividend is one which requires investigation.

The idea of creating a separate bad debt reserve seems to be that while the reserve fund of a society which is separately invested and which goes on accumulating with the statutory addition of a fraction of the net profits from year to year is a "fund" which remains intact till liquidation, the bad debt "reserve" may be drawn upon from time to time in the course of the working of the society to meet bad debts. It may be so in theory but it seems to mean little in practice. It has to be remembered that the statutory reserve fund is not really a "fund." For instance, take a primary society. If any society which is indebted to a central bank is working at a loss and its loans due to the bank are definitely bad and irrecoverable and the society is consuming its owned capital, to that extent its statutory reserve fund invested in the central bank is being automatically reduced from day to day, even if the reserve fund account is not so deducted. The fact that an entry is made in the books of the central bank adjusting the reserve fund of the society only on liquidation does not alter the position. The bank is not required to pay out cash to anybody, for most societies indebted to it have no outside creditors and all that it really does is to maintain the reserve account for its constituent societies and does not really possess a "fund" in the sense that any definite sum of money is available as a fund. It is presumably on the assumption that a reserve fund cannot be touched that permission is refused to central banks to adjust the accounts of societies indebted to the bank, by debiting their share capital and reserve fund with the bank towards the monies due to the bank. I think the practice and theory in this respect require re-examination. I am of opinion that the accumulation of bad debt reserves should be regulated with due reference to the volume of the statutory reserve fund, and when the latter is considered reasonably adequate to cover unforeseen losses and estimated bad debts, diversion to bad debt reserve should not be insisted upon to the detriment of good societies by denying them a reasonable dividend on their share capital. The maximum of the dividend may be reduced, if necessary, from nine per cent to six per cent in such cases.

"As regards the amount of reserve to be created in respect of bad and doubtful debts not written off, reserve should be made to the full extent of those debts actually regarded as bad, while the doubtful debts should be reserved according to their estimated value, special reserve being made in respect of debts of a large amount based on the circumstances of each case.

Where the debts are very numerous and of an average amount, the reserve for doubtful debts may be made by way of a percentage on the outstanding debtors, the rate of which will be arrived at from previous experience; but this should be supplemented by specific reserves, if necessary."

(*Practical Auditing by Spicer and Pegler.*)

Review.

A CO-OPERATIVE READER: By Rao Saheb M. V. Appa Rao Pantulu, Retired Extra Assistant Registrar of Co-operative Societies, Berhampore.

The author is to be congratulated on his little Co-operative Reader in Telugu, having run into the fourth edition. It contains twenty-five lessons which explain in very simple language the objects, principles, methods and benefits of co-operative societies. The lessons are enforced by means of fables, verses and dialogues and almost every lesson is illustrated by a suitable picture. Though the pictures are drawn from the agricultural life of the Ganjam and Vizagapatam Agencies—where Mr. Appa Rao served during a large part of his official career—they appeal with undiminished force to the readers of the plains. The book is approved by the Madras Text Book Committee and recommended for teaching civics in the fifth and higher standards in Elementary Schools. It deserves to be widely known not only in schools but in rural co-operative societies, the chief cause of whose defective working is the ignorance of co-operative principles on the part of their members. The price of the Reader is *annas eight*, which we should think rather stands in the way of its greater popularity. We have no doubt that the author will be willing to reduce it considerably for the benefit of students as well as of members of societies. It is spoken of highly by Sir A. P. Patro, Mr. V. Ramadas Pantulu and many journals.

V. V. S.

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STATISTICS OF

	Name of the Bank.	Date of Establishment.	Working Capital as on 30-6 1935 (to the nearest rupee).	Reserve Fund as on 30-6-1935 (to the nearest rupee).	Number of members as on 30-6-1935.	Rate of interest.		Percentage of overdues as on 30-6-1935.	
						On ordinary loans.	On security of deposits.	Principal.	Interest.
	(1)	(2)	(3)	(4)	(5)	(6)		(7)	
			Rs.	Rs.		p. c.	p. c.	p. c.	p. c.
1	Salem Urban Co-op. Society	1- 3-06	7,86,945	79,941	1,532	$7\frac{1}{2}$	$1\frac{1}{2}$ (above deposit rate)	5	5
2	Erode Urban Bank.	11- 6-11	4,74,860	38,086	1,881	$8\frac{3}{4}$	$7\frac{13}{16}$	11	28
3	Tirupati Co-op. Town Bank.	2- 2-18	3,78,591	28,360	1,077	$7\frac{13}{16}$	7	8·6	3·7
4	Hindupur Co-op. Town Bank.	20-12-19	3,47,123	21,528	813	$9\frac{3}{8}$	$9\frac{3}{8}$	11·9	11·8
5	Vizianagaram Co-op. Bank.	18- 8-14	3,40,259	48,653	2,636	$7\frac{1}{32}$	$5\frac{15}{32}$	14 1	24.3
6	Madura Urban Co-op. Bank.	3- 4-06	2,80,508	32,825	905	$7\frac{13}{16}$	$6\frac{1}{4}$	26·1	22·6
7	Berhampur Co-op. Urban Bank.	13-11-06	2,50,742	39,085	1,546	$7\frac{1}{2}$	$1\frac{1}{2}$ (above fieposit rate)	30·06	46·9
8	Trichinopoly Co-op. Credit Bank.	27- 3-13	2,33,858	42,609	688	$8\frac{19}{32}$	$1\frac{1}{2}$ (above deposit rate)	44	*

* Details not available.

URBAN BANKS

Establishment and contingent charges in 1934-35. (8)	Is there a full time and paid Secretary, if so, his salary per mensem. (9)	No. of directors constituting the Board of Management. (10)	Amount of honorarium or sitting fees paid to the directors in 1934-35 to the nearest rupee. (11)	System of election of directors. (12)	Qualification for directorship. (13)	Any Speciality. (14)
11,619	No.	9	Secretary 25 per cent, Legal Adviser 10 per cent of net profits	Biennial-en bloc.	10 shares.	
9,363	Yes Rs. 130	11	Nil.	en bloc triennial.	15 unencumbered shares.	
4,399	No.	7	Rs. 1,650	en bloc biennial.	20 shares.	Day deposit system. Daily repayment of loans on a fixed scale.
4,151	No.	9	Rs. 510	en bloc annual.	Any non-defaulting member.	The Bank is doing all kinds of banking work. It has accounts with Bombay Provincial Bank. It has built a building at a cost of Rs. 25,000.
7,797	No.	9	Rs. 130	One third of the Board vacate annually by rotation.	5 shares.	The Bank lends on the security of gold.
4,254	No.	7	Nil.	Biennial.	10 shares.	
3,946	No.	7	Nil.	en bloc biennial.	20 shares.	
5,840	No.	11	One rupee per meeting	annual.	4 shares of 25 rupees each.	

STATISTICS OF

	Name of the Bank.	Date of establishment.	Working Capital as on 30-6-1935 (to the nearest rupee).	Reserve Fund as on 30-6-1935 (to the nearest rupee).	Number of members as on 30-6-1935.	Rate of Interest.		Percentage of overdues as on 30-6-1935.	
						On ordinary loans	On security of deposits.	Principal.	Interest.
	(1)	(2)	(3)	(4)	(5)	(6)		(7)	
			Rs.	Rs.		p. c.	p. c.	p. c.	p. c.
9	Madras Government Servants Co-op. Society.	7- 9-12	2,25,883	23,342	1,066	9⅜	9⅜	*	*
10	Karur Town Co-op. Bank.	24- 6-12	2,12,484	22,695	498	8¼	8¼	5	2
11	Nicholson Town Bank, Tanjore.	15- 2-05	1,85,107	22,430	2,712	9⅜	¼ (over deposit rate)	36	45
12	Little Conjeevaram Urban Bank.	11- 9-10	1,80,935	24,039	1,827	6¼	½ (over deposit rate)	9	3
13	Madura Sourashtra Co-op. Bank.	4-11-18	1,73,065	10,620	2,522	9⅜	2 (over deposit rate)	13	4.8
14	Periakulam Co-op. Urban Bank.	7- 2-09	1,67,704	14,050	1,190	8½	8½	16	16
15	Dindigul North Urban Co-op. Bank.	24- 9-09	1,66,233	11,606	1,018	9⅜	9⅜	53.5	53.7
16	Tirupattur Town Co-op. Bank (N. A.)	7-11-17	1,61,014	18,757	668	9⅜	9⅜	8.2	22.9

* Details not available.

URBAN BANKS—(*Continued.*)

Establishment and contingent charges in 1934-35. (8)	Is there a full time and paid Secretary, if so, his salary per mensem. (9)	No. of directors constituting the Board of Management. (10)	Amount of honorarium or sitting fees paid to the directors in 1934-35 to the nearest rupee. (11)	System of election of directors. (12)	Qualification of directorship. (13)	Any Speciality. (14)
7,752	No	16	Nil.	annual	100 fully paid up shares.	
3,692	Yes Rs. 100	9	Rs. 65	En bloc annual	No special qualification	
4,182	No	21	25 p. c. of the net profits.	Seven directors will be elected annually by rotation.	25 shares.	
3,325	No	15	Rs. 492	En bloc biennial (ballot)	40 fully paid up shares of Rs. 2/- each.	
4,173	No	7	⅛ of the net profits proportionate to meetings attended.	Triennial by ballot.	No special qualification	The Bank transacts all kinds of banking business.
4,489	Rs. 53	9	Nil.	En bloc biennial	Any member not having overdues for more than 3 months.	
1,866	No	9	Nil.	Triennial.	Any member *except* Govt. Servants.	
3,785	Yes Rs. 60	7	Nil.	En bloc annual.	Members of 6 months' standing holding 10 shares of Rs. 10 each.	A retiring member of the Board is not eligible for re-election for one year.

STATISTICS OF

	Name of the Bank.	Date of Establishment.	Working Capital on 30-6-1935 (to the nearest rupee).	Reserve Fund as on 30-6-1935 (to the nearest rupee).	Number of members as on 30-6-1935.	Rate of interest. On ordinary loans.	Rate of interest. On security of deposits.	Percentage of overdues as on 30-6-1935. Principal.	Percentage of overdues as on 30-6-1935. Interest.
	(1)	(2)	(3)	(4)	(5)	(6)		(7)	
			Rs.	Rs.		p. c.	p. c.	p. c.	p. c.
17	Krishnagiri Urban Co-op. C. S.	20-10-09	1,52,788	14,003	556	$7\frac{1}{2}$	$7\frac{1}{2}$	10.8	24.5
18	Mayavaram Co-op. Urban Bank.	23-11-12	1,47,753	6,983	1,498	$9\frac{3}{8}$	$1\frac{1}{2}$ (above deposit rate)	25	25
19	Sivaganga Co-op. Urban Bank	25- 6-14	1,43,532	6,930	608	$8\frac{19}{32}$	2 (above deposit rate)	21	9
20	Co-operative Urban Bank, Tiruturaipundi.	25- 8-11	1,40,661	24,867	763	$7\frac{13}{16}$	$7\frac{1}{2}$	20	*
21	Pattukkottai Co-op. Urban Bank.	5-11-17	1,24,296	8,487	881	$9\frac{3}{8}$	$6\frac{1}{4}$ to $7\frac{1}{2}$	35.9	24.8
22	Gobichettipalayam Co-op. Urban Bank.	26- 7-12	1,14,860	14,804	786	$8\frac{1}{3}$	$7\frac{1}{2}$	15.9	34.4
23	Devakottai Co-op. Urban Bank.	25- 2-22	1,09,431	6,088	668	$7\frac{1}{2}$	$7\frac{1}{2}$	35.8	35.8
24	Urban Co-op. Town Bank, Hospet.	6- 6-15	98,701	9,521	375	$9\frac{3}{8}$	$9\frac{3}{8}$	36.5	39.6
25	Gooty Co-op. Town Bank.	15- 2-23	95,480	5,247	362	$9\frac{3}{8}$	$9\frac{3}{8}$	21	18
26	Cuddapah Co-op. Town Bank.	19- 6-15	89,533	16,207	805	$7\frac{13}{16}$	$7\frac{13}{16}$	36.5	32 2

* Details not available.

URBAN BANKS—(*Concluded.*)

Establishment and contingent charges in 1934-35. (8)	Is there a full time and paid Secretary if so his salary per mensem. (9)	No. of directors constituting the Board of Management. (10)	Amount of honorarium or sitting fees paid to the directors in 1934-35 to the nearest rupee. (11)	System of election of directors. (12)	Qualification of directorship. (13)	Any Speciality. (14)
	No	7	Rs. 171	annual.	5 shares.	
1,885	No.	9		Three will be elected by rotation every year.	10 unencumbered shares	
2,211	No.	9	Rs. 37/15/-	En bloc annual.	No special qualification.	
2,585	No.	9	Nil.	Annual election by general body.		
2,484	No.	9	20 p. c. of the net profits.	Biennial.	No special qualification.	No Loans from the Central Bank.
1,721	Yes. Scale 30-3A-60	7	Nil.	En bloc triennial.	10 fully paid up shares or members of at least 6 months standing.	
1,388	No.	9	Nil.	En bloc annual.	Any member, who is not a defaulter.	
735	No.	13		Biennial.	10 shares of Rs. 5 each.	
890	No.	9	Rs. 250	En bloc annual.	One share of Rs. 10.	
2,043	No.	8		Biennial.	20 fully paid up shares.	

* Details not available.

News and Notes.

Mr. C. S. Rangaswami, Managing Editor of the 'Indian Finance', Calcutta, speaking on the occasion of the Fifth Annual Day of the Madras College of Commerce, observed that the co-operative movement in South India had withstood the depression much better than the co-operative banks in other parts of India and that the co-operative movement in Burma might be said to have collapsed altogether.

* * *

A correspondent from Malapalayam writes that that village is the foremost weaving centre in Tinnevely district with about 6,000 looms, half of which however are idle; that through the efforts of Mr. Bhupathy, Deputy Registrar of Co-operative Societies, and of the Supervisor of Production Societies a weavers' society has been started there and affiliated to the Madras Handloom Weavers' Provincial Co-operative Society. So far more than 100 members have joined the society and about Rs. 1,500 has been collected as share capital.

* * *

In answer to a question put by Mr. N. G. Ranga in the Assembly in February last, Sir G. S. Bajpai said that Mr. Darling's recommendations related primarily to the training of the co-operative staff and to the education of the members of the co-operative societies; that the amount set apart for the purpose was Rs. 15 lakhs; that Mr. Darling's recommendations had been brought to the notice of the Local Governments and that the sum allotted would be distributed on the basis of membership of primary societies in each province.

* * *

It the last session of the United Provinces Legislative Council the Sapru Unemployment Report formed the subject of debate. The Government of United Provinces, while expressing sympathy with the recommendations of the Committee, said that it was not possible to give effect to all the recommendations for want of funds and that it would consider such suggestions as required no expenditure. On further discussion the Finance Member said that if certain taxation proposals of the Government were accepted by the Council, a sum of Rs. 3 lakhs would be set apart out of the new taxes for unemployment relief measures. The Council of course refused to swallow the bait.

* * *

H. H. the Aga Khan in the course of an interview to the Associated Press of India explained the main features of his suggested rural uplift programme. He said that there would be taxation of the rich for the sake of the poor and the system of education should be changed so as to lay greater emphasis on its agricultural and industrial aspects. He also suggested, in order to make the uplift of the masses really effective, that

the existing burden of rural indebtedness should be reduced either by writing off a portion of it or by making the rupee so cheap as to facilitate the payment of debts and that an effective propaganda should be undertaken by the organization of exhibitions and of broadcasting in rural areas.

Addressing the United Provinces Legislative Council in February last, His Excellency Sir Harry Haig surveyed the working of the scheme of rural development, the adoption of which was made possible on account of the Government of India Grant. The scheme had been applied, His Excellency said, to every district of the Province and had been given an impetus by the landlords. Any scheme of rural reconstruction could be successful only when people in charge of the schemes gained the confidence of the villagers. Nine health units had been established all over the province, each unit representing a compact area covering some 150 villages with a population of 35,000. Other schemes of development included improved water supply, construction of embankments, improvement of cattle and poultry breeding.

* * *

The Hindupur Co-operative Town Bank had at the end of the last co-operative year 813 members with a share capital of Rs. 38,552. There was a slight decrease in the deposits, for the bank reduced the rates of interest on deposits. As there was no demand from the members for loans, the Bank deposited a sum of Rs. 1,15,000 in the Anantapur Dt. Co-operative Central Bank under fixed deposit. The Bank issued a sum of Rs. 95,587-14-0 as loans to members and collected towards repayments of loans a sum of Rs. 1,13,045-7-0. The percentage of balance to demand under principal and interest was 11.9 and 11.8 respectively. The working of the Bank resulted in a net profit of Rs.2,865-8-0.

* * *

The Directors of the Malabar District Co-operative Bank report that in the year 1934-35 there was a slight decrease in its share capital due to the liquidation of some member societies and nearly Rs. 80,000 in deposits. Some of the monies of the Local Boards were refunded to prevent the accumulation of idle money in the Bank. The loans issued during the year amounted to Rs. 76,777 and repayments to Rs. 90,251. The percentages of balance to demand under principal and interest were 82.24 and 34.04 as against 87.7 and 44 respectively. The decrease in overdues was mainly due to the good work of the executive staff of the Bank. After setting apart Rs. 15,787-4-0 towards Bad Debts Reserve and writing off a sum of Rs. 6,032-3-0 the Bank realised a net profit of Rs.11,378-15-0.

* * *

The Central Provinces and Berar Provincial Co-operative Bank, Ltd., had a share capital of Rs. 5,46,290 as on 30-6-1935 as against 5,62,460 as on 30-6-1934. The decline in share capital was only in the case of shares

held by primary societies. The Bank issued loans amounting to Rs. 10,38,725 and recovered Rs. 8,26,005. The two Land Mortgage Banks affiliated to the Bank took only Rs. 17,000 as a loan. These Banks were not able to do much business for the borrowers found the terms and conditions of the Bank very strict. The arrears of percentage to total dues in year was 55. 9. There was also a decrease in the deposits of the Bank for the Central Banks withdrew some of their investments. The Bank reduced its rate of interest on deposits and it was this reduction that enabled it to earn a large profit of Rs. 1,25,003-7-4, out of which, however, Rs. 75,000 was transferred to the Bad debts Reserve.

* * *

The December (1935) issue of the *Review of International Co-operation* gives the place of honour to an article on the 'Organization of Retail Distribution in Soviet Russia'. It would appear that in that country private retailing agencies have been eliminated almost entirely and even co-operative associations are feeling the pressure of State Retail Distributing Agencies. Orthodox co-operators who believed in the efficiency of the voluntary principle will feel aggrieved that the compulsory element in co-operation is superseding it. But it cannot be denied that, provided the State agency is efficient and honest, the results will be achieved very much quicker than through the voluntary method. But sometimes the shortest cut proves to be the longest route.

* * *

The problem of centralised *vs.* decentralised work of co-operative stores, which agitates the management of the Triplicane Urban Co-operative Society, Madras, finds its echo in far off Canada. In a recent issue of the Canadian Co-operative Official the following views appear :—"The volume of business it is possible to develop at the average rural trading point is too small to insure the maximum of economy. Societies should, therefore, show judicious enterprise in branch store expansion. There is much greater chance of success by a well established society, on a purchase dividend paying basis, opening a branch store than by an adjacent community experimenting with an independent society ; and yet if substantial success is shown by a society in one community, people residing in an adjacent one are likely some time to seek to emulate it by independant organization, if a branch of the existing society is not opened." In the writer's opinion, "Efficiently conducted branch stores under centralised management and administration insure a volume sufficient to enable a society to buy to greater advantage. In addition, as the managerial qualifications and much of the service needed by an independent society are not required in the branch store, it is possible to effect considerable administrative economies." While we agree to some extent with this view, we are afraid that in a branch system what the society gains by way of business success will be overweighed by what it loses in co-operative understanding and goodwill among members. A branch store is likely to be regarded as an outside agency and individual members do not feel any sense of responsibility or solidarity and are inclined to treat it as a capitalist provision store.

List of Societies Registered in February 1936.

S. No.	Name of the Society.	District.
1.	Kesamanenipally Co-operative Credit Society ...	Nellore.
2.	Mypaud Co-operative Loan and Sale Society ...	”
3.	Atmakur Local Fund Employees' Co-operative Society	”
4.	Gouravaram A. A. Co-operative Society ...	”
5.	The Anantapur Government Girls Secondary and Training School Students' Co-operative Stores	Anantapur.
6.	Kayiliyad Co-operative Stores	Malabar.
7.	Gudalur Co-operative Society	Trichinopoly.
8.	Velayuthampalayam Co-operative Society ...	”
9.	Valanadu Co-operative Society	”
10.	Vallam Odaiyar Co-operative Better Living Society	Tanjore.
11.	Samiyarpatti Kallar Co-operative Society ...	Madura.
12.	Sree Meenakshi Co-operative Stores Ltd. ...	”
13.	Palayam Ekambaranallur Co-operative Credit Society	North Arcot.
14.	Chengam Board High School Employees' Co-operative Society Ltd.	”
15.	Pundi Co-operative Credit Society... ...	”
16.	Sathuvachary Weavers' Co-operative Purchase and Sale Society Ltd.	”
17.	Vakkadi Agricultural Improvements Co-operative Society Ltd.	”
18.	Pallikonda Agricultural Improvements Co-operative Society Ltd.	”
19.	Gudivada Sugarcane Growers Co-operative Society	Kistna.
20.	Vuyyuru Sugarcane Growers Co-operative Society	”
21.	Rakkipatti Co-operative Society	Salem.

Cancelled in February 1936.

Name of the Society.	District.	Date of Cancellation
Karugorumilli F. L. C. S. ...	West Godavari ...	3-2-36.
Malapambadi C. S. ...	North Arcot ...	4-2-36.
Karugorumilli C. S. ...	West Godavari ...	6-2-36.
Manad Thandupathur C. S. ...	Tinnevelly ...	”
Velur Adi Dravida C. S. ...	Trichinopoly ...	”
M. Ayyampalayam C. S. ...	Madura ...	10-2-36.
Arasur C. S. ...	Tinnevelly ...	11-2-36.

Name of the Society.	District.	Date of Cancellation
Kandulapalem F. L. C. S. ...	East Godavary Dt. ...	12-2-36.
Nadhikudi C. S. ...	Ramnad ...	,,
Manchineelagovindinne C. S. ...	Kurnool ...	13-2-36.
Melaperungavur C. S. ...	Trichinopoly Dt. ...	14-2-36.
Irumbuthalai F. L. C. S. ...	Tanjore ...	15-2-36.
Vundur C. S. ...	East Godavari Dt. ...	,,
Royapettah Co-op. Bank Ltd. ...	City of Madras ...	16-2-36.
Singanur C. S. ...	South Arcot Dt. ...	18-2-36.
Kunnimedu C. S. ...	,, ...	,,
Pettai C. S. ...	,, ...	,,
Feroke C. S. ...	Malabar ...	,,
Adanapattu C. S. ...	South Arcot. ...	,,
Balinaickanur C. S. ...	North Arcot. ...	,,
Jayamkondam Loan and Sale Society. ...	Trichinopoly ...	20-2-36
Ayodhyakuppam C. S. ...	City of Madras ...	,,
Thandavankulam F. L. C. S. ...	Tanjore ...	,,
Jayamkondam North Co-op. Union Ltd. ...	Trichinopoly ...	,,
Gangadharanallur ...	Chittoor ...	,,
Jagannayakulapalem C. S. ...	East Godavari Dt. ...	25-2-36.
Jagamma Timmapuram C. S. ...	,, ...	,,
Palaya Ayakudi Devendakulam C. S. ...	Madura ...	,,
Madras Medical C. S. ...	City of Madras ...	26-2-36.
Kilapatti C. S. ...	North Arcot ...	,,
Tirukkalikunram Co-op. Supervising Union.	Chingleput ...	27-2-36.
Nandavaram Xian C. S. ...	Bellary ...	,,
Vasanthaveda L. C. Union ...	West Godavari ...	,,
Kakkalur C. S. ...	Chingleput ...	28-2-36.
Choolai Danalaxmi C. S. ...	City of Madras ...	29-2-36.